



House of Commons  
Energy and Climate Change  
Committee

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**DECC Annual Report  
and Resource Accounts**

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**Oral Evidence**

***28 October 2009***

*Rt Hon Edward Miliband MP, Secretary of State, Ms Moira Wallace, OBE, Permanent Secretary, Mr Phil Wynn Owen, Director General, National Climate Change and Consumer Support, and Mr Simon Virley, Acting Director General, Energy Markets Infrastructure, Department of Energy and Climate Change*

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# Oral evidence

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## Taken before the Energy and Climate Change Committee on Wednesday 28 October 2009

### Members present

Mr David Anderson  
Charles Hendry  
Miss Julie Kirkbride  
Anne Main  
Judy Mallaber

Sir Robert Smith  
Paddy Tipping  
Dr Desmond Turner  
Mr Mike Weir  
Dr Alan Whitehead

In the absence of the Chair, Paddy Tipping was called to the Chair

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*Witnesses:* **Rt Hon Edward Miliband MP**, Secretary of State, **Ms Moira Wallace, OBE**, Permanent Secretary, **Mr Phil Wynn Owen**, Director General, National Climate Change and Consumer Support, and **Mr Simon Virley**, Acting Director General, Energy Markets Infrastructure, Department of Energy and Climate Change, gave evidence.

**Q1 Paddy Tipping:** Secretary of State, we are delighted that you have been able to come and see us again. It is just over a year since the Department was set up and I know getting established and taking forward a lot of work has been a big task so we are very pleased you have come. We are pleased that the Permanent Secretary is here supported by senior colleagues in the Department. I guess we will talk mainly about policy, if that is okay, although we may write to you subsequently following up some of the things that are in the Annual Report and Accounts. I guess the big issue at the moment and the issue that is taking your time and the time of colleagues across government is preparations for Copenhagen. I just wondered if you would give us an overview of where you thought the process had got to and what you thought the outcome might be and perhaps tell us how optimistic you are that we will get a firm and deep deal?

**Edward Miliband:** Thank you, Chairman. It is very good to be back with you. Just to say that we have got Phil Wynn Owen who is the Director General for National Climate Change and Simon Virley who is the Acting Director General of the Energy Group and of course you mentioned Moira Wallace, the Permanent Secretary. As far as Copenhagen is concerned, I think it genuinely hangs in the balance. I feel more optimistic than I did a month or so ago that there is a chance of getting a reasonable outcome from it. That is partly because the prospects have improved in the United States and people will have seen John Kerry's intervention with a Republican senator which I think suggests that he is building broader support for that Bill, and obviously the US is crucial to this. I think the broader context though is that there is a danger in general of a rather defeatist view out there about what Copenhagen is destined to achieve because I think the deadline of December and the deadline of the summit has focused minds and made a difference in terms of what people have been doing. If you think about just the last month we have seen the Chinese President go to the United Nations and say they are going to target what they call carbon intensity and reduce it

substantially by 2020. We have seen India change its position and say they will be part of taking action. We have seen Japan increase its target and a new government in Japan. So I think there is real forward movement as a result of this deadline. I think the task for Britain and for Europe is to push forward further. We have very crucial meetings that the Prime Minister is attending in the European Council in the next couple of couple of days where we hope very much to agree a settled European position on climate finance. You will recall that in June he made a set of proposals to raise \$100 billion a year from public and private sources by 2020. We hope very much that Europe will unite around a similar position to that and that was reflected in the European Commission communication on this issue. We think it is very important that Europe is a persuader for not just a deal but an ambitious deal. The other thing I would say to you is that we have to be very straight about this in the sense that if Copenhagen is not going to achieve what we need it to achieve then we should not sign a deal there. It has got to be a comprehensive deal. It has got to cover all the major issues of what countries are going to do in terms of emissions, finance and technology because I think an inadequate deal is not something that we want to sign up to.

**Q2 Paddy Tipping:** So that is the dilemma, is it not, there is an expectation that you have got to have some kind of a deal but are you saying to us that if the deal is not substantial and comprehensive it will not go forward?

**Edward Miliband:** I do not think we should sign up to a deal that is inadequate. We must press for a substantial and comprehensive deal. There has been a real effect not just from politicians but from the public applying pressure in the last six or nine months on this and I think that is starting to work. We face a very intense 40 or 50 days to get the best outcome we can. Just one other thing to say because it is important to be clear in our mind what we are

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seeking out of Copenhagen, most of all I think we need to see a peaking of global emissions. If we can have a peaking of global emissions by 2020 and then that starting to fall that will be something the world has never achieved before in its industrial industry and that will mark a very significant moment. However, we are not there yet and we have to push as hard and as much as we can and that is absolutely what we are determined to do and not treat this like a conventional negotiation where everyone holds their cards close to their chests until 3 o'clock in the morning on the last night because we will not get a good enough deal if we do that.

**Q3 Judy Mallaber:** You have referred to getting a finance deal. You were in Bangladesh last month as I was just after you seeing different places where they were affected by cyclones and floods. How important is getting money for adaptation and mitigation to those countries that are going to be seriously affected? I see positive reports in the papers today about the potential at the European Council. Is that really a deal and how dependent are we on also getting support from other Western countries?

**Edward Miliband:** I think you are completely right to raise this because it is very important. We have to take action to prevent dangerous climate change above two degrees but the truth is that there is lot of dangerous climate change already in the system. You and I saw that in Bangladesh. The truth is that for those people in Bangladesh small amounts of money can help them to adapt and, quite frankly, save their lives. I visited people who live on the sandbanks in Bangladesh. Two million people live in those circumstances. Their homes are literally being washed away by more frequent cyclones and floods and small amounts of DFID money are raising the physical level at which they live and saving their lives. A proper financing arrangement on adaptation is absolutely essential because we know that carbon emissions take a long time to work their way through the system in terms of their effects on the climate. The emissions of the last 30 years will be working their way through in the coming decades and we know that we are going to see warming of at least 1.4 degrees centigrade globally and that is going to affect particularly the vulnerable who have done least to cause the problem, frankly, so I think it is very important. It is dependent on other nations being part of this. Again, this is about the way the negotiations need to be seen, in my view. Europe needs to put its best foot forward and needs to make a very clear offer. That is what the Prime Minister tried to do in June. It needs to unite around a position and then use that to leverage other countries to step up to the mark.

**Q4 Judy Mallaber:** How far will that influence whether we can get a deal generally with developing nations and countries like China and India where it is critical in getting them to reach a deal over their own emissions?

**Edward Miliband:** You are right, it is absolutely fundamental, partly because China and India are part of the G77 bloc which negotiates on these

questions, and I think it is fundamental in the way the developing world sees this issue. I also think that it is the right thing to do. It is not just a question of paying in order to get them on board, important though that is. When you look back at the historical responsibility for emissions, it is our responsibility in developed countries, and in a sense we are saying to developing countries do as we say not as we did in terms of the way you grow and in that context I think it is right that we push forward on finance. I suspect this is a going to be one of the last things to be settled at Copenhagen but it is something where we need to absolutely push forward as much as we can in order to get the best deal that we can.

**Q5 Dr Turner:** The Prime Minister said there is no plan B but, of course, plan A is still a little uncertain in itself and to achieve it will require getting an awful lot of ducks in a row at the same time and so much is predicated on a successful outcome in terms of carbon pricing and so on. Are you prepared to lay out any bottom lines that we cannot afford not to achieve at Copenhagen?

**Edward Miliband:** I think that is a really good question, Des. I think it goes back to what I said a bit earlier. The most important thing that can come out of Copenhagen is that we start to cut global emissions because the problem with Kyoto is that it was a partial agreement in the sense that it did not include the United States and it did not include developing countries. There are two truths at the heart of these negotiations. There is one truth which I have mentioned which is if you look backwards it is developed countries that are responsible for the problem, but if you look forwards 90 per cent of the growth in emissions comes in developing countries, and therefore you need both sides to take action in an agreement and that is the way you get global emissions to fall. The most important thing as far as I am concerned is that starts to happen as a result of Copenhagen, partly because that is what is needed to be consistent with preventing a temperature rise of more than two degrees and partly because I think if you can do that, that will in a sense inspire confidence as we go forward. The Chief Scientist, John Holdren, in the US said to me that once we start to make progress on this as a world it will suddenly become easier. I think that is important. I also think for our economy, and you are completely right to highlight this, it is absolutely essential to get this agreement because if we are going to have a robust carbon price—and we may come on to this later—an ambitious deal at Copenhagen is very important. My bottom line is that we peak global emissions.

**Q6 Dr Turner:** Of course a very significant component of current emissions is represented by deforestation. One of the things that is hoped for from Copenhagen is an agreement that will address this adequately. What are your feelings about that?

**Edward Miliband:** I think you are right to say that 20 per cent of global emissions by some calculation more than the world's transport sector come from deforestation. I am hopeful. At the recent Major

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Economies Forum, Prince Charles hosted an event with the negotiators who were here and I was struck by the very positive mood there is on RED in terms of the progress that is being made at the UN. It is a part of the UN negotiation that is going better than some other parts and I think it is an area where we can make progress. It is worth noting that in the US Bill that went through the House there was significant finance for preventing deforestation. It will require public finance, by the way, because you could imagine forests coming into the carbon market down the road but it will require up-front finance to reduce deforestation. We think that is a very important part of any agreement.

**Q7 Dr Turner:** And should we not achieve an adequate plan A, we cannot just give up and walk away. What sort of approach should we have? Should a group of nations like the G20 just get on with measures that they can agree?

**Edward Miliband:** I am not just saying this as a negotiating tactic. I do not think that it is very clear what plan B is or should be because the truth is that we have a unique moment of opportunity. We have got a new US Administration that has changed the position on climate change; we have China that wants a deal; we have India that has moved into line, so I think if not now when? I do not think it is going to get any easier. I think we have just got to go all out for this and, as I say, not imagine that in three months' time it will be easier because I fear that it will not.

**Q8 Dr Turner:** How key do you think is going to be the fact that the Obama Administration is meeting so much resistance in the States?

**Edward Miliband:** They are absolutely key to this because you cannot have a proper deal without them. That is what we learned at Kyoto. I think in a sense they are getting a hard time internationally on this but they have actually exceeded the expectations that people were telling me a year ago we should have. People were saying it is President Obama's first year in office, he is not going to get to this, he is going to have other things on his mind, maybe he will get to it in his second year. They have passed a Bill through the House and they are going all out to pass a Bill through the Senate as quickly as they can. I think they need to be encouraged in this. There are of course issues for Europe about how fast America can go, what its emissions reductions will be compared to 1990, but I think overall the message is that they are moving and I think that is incredibly welcome. The debate is behind the debate in Europe and we need to push them and cajole them in terms of the ambition that they offer but we do welcome what is being done.

**Paddy Tipping:** I think it is really important that we practise what we preach so that we demonstrate that here in the UK we can make a difference. You mentioned carbon pricing a moment ago and I think we will come to that but let us talk about the UK sector and, Mike, could you start?

**Q9 Mr Weir:** Do you think the UK is on track to meet the emissions reductions targets in the carbon budgets? To what extent is any recent increase in the rate of reductions due to the recession rather than due to fundamental changes?

**Edward Miliband:** We are on track. You will have seen our Low Carbon Transition Plan and the accompanying plethora of documents. On our central projections we show that we will overachieve our carbon budgets by 44 million tonnes, 64 million tonnes and 39 million tonnes in the three budget periods and that reflects the sector-by-sector action which is contained in the plan, whether it is the action in the power sector and the drive on renewables and nuclear, the action in the household sector and the drive on energy efficiency and people being able to insulate their homes, the drive in the transport sector including through car and van emissions standards, or the drive in agriculture which for the first time is part of our plan. All of those add up to the numbers that I gave you. There is a recession effect. The truth is that there are different views about the precise recession effect. My view is that we will be meeting our carbon budgets even without the impact of the recession, but there is no question the recession has lowered emissions nationally and also, just incidentally, has lowered them globally as well. I saw a recent presentation by the International Energy Agency showing that global emissions will be two gigatonnes fewer in 2020 than they would otherwise have been so that is quite a significant reduction compared to global output of between 40 and 50 gigatonnes.

**Q10 Mr Weir:** Is there not a danger that it goes into reverse once economies start to come out of recession?

**Edward Miliband:** Sure and that is why you should not rely on the recession and we are not relying on it and that is why we have a very clear plan. I want to be very clear about this. We think that we have done a lot in the first year to set out ambitious plans and that reflects an understanding that we need to go further and faster in what we do on climate change and we also have a very clear understanding that there is a big job of delivery to do. Things like the national policy statements and the planning reforms are absolutely central to delivering on very ambitious and big changes. We use the term "transition" plan advisedly because we are a society and economy in transition and transitions are a big deal.

**Q11 Mr Weir:** Within the UK all the devolved administrations have separate targets and separate ways of going forward with this. How do they tie in with the UK's national target and in particular with Copenhagen and the targets you wish to obtain there?

**Edward Miliband:** This is a UK target that we have set out. We also say in the transition plan that we are going to work with the devolved administrations on their role in relation to carbon budgets. At the moment I think I am right in saying that in the detailed breakdown of the carbon budgets they are

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scored within the UK administration but we are working with the devolved administrations for what their role is going to be. Do you want to add anything to that?

**Mr Wynn Owen:** I have just one thing to add. The point is sometimes made that the Scots have set a target of 42 per cent compared to our 34 per cent by 2020 but it is not that different, they have just reversed the paradigm, if you like. They have set the higher target but they have said that they will ask the Committee on Climate Change for advice post-Copenhagen on whether this is achievable and may amend the target potentially downwards depending on what advice they receive from the CCC. We have done it the other way. We have said that we will go for 34 per cent but in the light of Copenhagen will seek advice and then may increase the target in line with Europe and potentially moving at a European level from 20 to 30 per cent. I do not think the dissimilarities are as great as they seem and our plan encompasses the whole.

**Edward Miliband:** But we welcome ambition wherever it comes from in our nation's regions.

**Q12 Mr Weir:** If one part of the UK makes a bigger cut, does that mean another part can make a smaller cut? Are you looking at it as an overall UK target or given that there are different targets for each, is each part of the UK working towards its own target with the hope that the overall reduction will be greater if each manages it?

**Edward Miliband:** If the import of your question is are we relying on Scotland to do more so that England can do less—

**Q13 Mr Weir:** That was not what I said.

**Edward Miliband:** I said if the import of your question was that I think the answer is no.

**Q14 Mr Weir:** I am just trying to get an idea of where they all mesh together. I am not entirely clear on that.

**Edward Miliband:** Our 34 per cent is a UK number and it is planned on a UK basis. Of course some of this policy is reserved and some of it is devolved which does make it complex. As I said to you on the question of how the carbon budget breaks down, that is something we are working with the devolved administrations on. We are planning on a UK-wide reduction of 34 per cent but, as Phil said, we will move to a higher number, we hope, as part of an ambitious Copenhagen agreement as part of Europe moving to a larger number.

**Q15 Mr Weir:** The Committee on Climate Change have stated there was a step change needed in the pace of reduction of emissions. How is that to be achieved?

**Edward Miliband:** I agree with the Committee on Climate Change. That is why we have laid out the very ambitious plans that I mentioned in the power sector. For example in the power sector we are saying that we want to get to 40 per cent low-carbon electricity by 2020. That is very ambitious and it involves for example 10,000 offshore and onshore

wind turbines across the country. It requires movement on nuclear power where the new nuclear stations will start to come on-stream from 2018. In the household sector it requires our pay-as-you-save scheme which is going to mean that seven million households by 2020 have whole house upgrades and change the way they get their energy. There is no question that it requires big changes, Mike, and I am not shying away from that. It requires upping the pace and that is what we are trying to do.

**Q16 Mr Weir:** It specifically mentioned transport as one of the biggest sectors for emissions and talked about road pricing and automatic speed limiters. Is that something that you are actively looking at?

**Edward Miliband:** That is really a matter for the Department for Transport and they will be saying more by April of next year about their low-carbon plan. I think that they have said they are not going for national road pricing at the moment; they are focusing on local schemes. They are looking at ways in which to encourage people, for example, to move to electric cars. We have very ambitious targets in Europe that we have agreed which will reduce vehicle emissions standards but beyond that these questions are a matter for them. Just to say we can meet our 2020 targets—and I think transport represents about 20 per cent of the reductions in carbon that we are talking about—on the basis of the policies already announced rather than the ones that you are referring to.

**Mr Wynn Owen:** If you look at the tables in the back of the Transition Plan the most significant transport measures by far are the EU new car average fuel efficiency standards of 130 grams of CO<sub>2</sub> emissions by 2015 and, subject to a review the Commission is going to undertake in 2010<sup>1</sup>, 95 grams by 2020 and also plans for an emerging Commission proposal on new van emissions which will be very important, and we are working very hard with the Commission to make sure those are ambitious targets. Those are the main drivers if you are interested in what is planned in the cars field.

**Q17 Mr Weir:** Presumably to achieve that you are going to have to put an awful lot of new vehicles on the road and take off an awful lot of old vehicles which has implications in itself for carbon emissions surely?

**Edward Miliband:** I think this will be on the basis of the throughput that there is of new cars. I think it has been calculated on the basis of what we would expect in terms of new cars on the road.

**Mr Wynn Owen:** That is right although it might just be worth noting that one of by-products of the recent scrappage scheme has been a welcome reduction—and I am afraid I do not have the exact figures with me—in the average emissions of the cars bought in exchange for the cars scrapped. That has been a pleasant surprise to us that people have been tending to go for much smaller cars as part of the scrappage scheme.

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<sup>1</sup> Note from the witness: "Actually 2013"

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**Q18 Anne Main:** On the car scrappage scheme it is because it was much more financially advantageous to use that amount of money on a smaller car rather than driving people's attitudes. Or are you saying that we have got people to buy in to getting a smaller car?

**Edward Miliband:** I think you have highlighted something incredibly important about this whole area which is that we cannot just appeal to people on the basis of environmental consciousness, important though that is, we also have to appeal to people on the basis of what is financially in their interests, whether that is about energy saving or about the scrappage scheme. The scrappage scheme is an interesting example. It was not primarily designed as a carbon reducing measure. We thought it would be at worst carbon neutral. It turns out to have been carbon reducing in terms of people's transition to smaller cars. That is a good thing. In a sense, we want to widen the number of people who understand the implications of climate change and the need to change behaviour, but it seems to me we have to appeal to people on as wide a basis as possible.

**Q19 Anne Main:** Does that lead you perhaps more towards some sort of fiscal stimulus for people changing rather than a punitive one?

**Edward Miliband:** I am not in the punitive neck of the woods myself in terms of the way you change people's behaviour. I think the role of government is to help people make changes in their lives.

**Q20 Anne Main:** I am thinking more of instead of paying to drive, as some of the road pricing schemes do, incentivising people to buy more fuel-efficient cars or smaller cars could be the way to go. I am wondering if that tension is being resolved. You did say it was up to the Department for Transport and there have been some criticisms about the communication of ideals across from DECC and I am wondering how much that communication is going on and who makes the call in the end of, alright, we give them money for cheaper cars or, no, we charge them to drive the bigger ones?

**Edward Miliband:** There are different ways of looking at this. At the moment we have a graduated VED scheme which you can see as encouraging people to buy smaller and more fuel-efficient cars or discouraging people from buying less fuel-efficient and bigger cars. I suppose I am making a general point that encouraging people and providing people with incentives does seem to, me particularly at this time, to be a very important part of what we do. The truth is you are going to need a combination of measures, whether it is regulation or taxation or other forms of encouragement and incentives.

**Q21 Sir Robert Smith:** Before I ask my question I should remind the Committee of my interests in the Register of Members' Interests relevant to this questioning: the shareholding in Shell; a visit to a carbon capture and storage project in Lacq paid for by Total, and also Honorary Vice President of Energy Action Scotland.

**Edward Miliband:** You must tell us about your visit to the carbon capture and storage project.

**Q22 Sir Robert Smith:** That comes later. On this question of incentives and the reduction within the UK, I wondered if the Department has done any analysis of how certain incentives work if it is within a sector that is part of the European Emissions Trading Scheme because we heard some evidence from an economic analyst in our visit to Denmark that once you are in European trading emissions if you do any national financial incentives to reduce emissions within that sector in effect your financial input is subsidising across the whole of the European Union. You cannot ring-fence it to your own country because you trade the impact of that reduction across the borders. Has the Department done any analysis of how now we are signed up to emissions trading it restricts the benefits we can get from other incentives?

**Edward Miliband:** I might let Simon come in in a minute. It is an important question and one that I have thought about quite a lot, at least at a general level about the role of the EU Emissions Trading Scheme. I think the EU ETS is important because basically it does say we cap emissions at a certain level and above the cap you have to buy in permits. However, I think it is necessary but not sufficient even in the sectors that are covered by it. Let me try and explain why. If you take the example of coal, I inherited a policy which said we will just carry on building unabated coal-fired power stations with carbon capture readiness. There are a number of problems with that. In the short-term you can buy in credits and permits but the danger is you have what they call high carbon lock-in so you would end up with lots of unabated coal-fired power stations if we had pursued that policy. You do not want to be in that position, particularly when the carbon price might be significantly higher in the 2020s or 2030s. That is the first point. Secondly, I worry about a view that says we can just rely on the EU Emissions Trading Scheme to sort out the problem, because if everyone took that attitude you would end up with a situation where people were essentially breaching the cap in a very big way and the carbon price was driven to an extremely high and probably politically unacceptable level. You need both the discipline of the EU Emissions Trading Scheme but you also need to take action within that so that you can make the transition in a way that is affordable for people. Do you want to add anything more specifically?

**Mr Virley:** Yes, the cap is set at an EU level and that is obviously why we are pushing for the most ambitious deal we can get at Copenhagen to then move from a 20 per cent world to a 30 per cent world and a tighter EU emissions trading cap. As the Minister says, it does not negate the need for action across all sectors because we have a long-term 2050 target to hit and these investment decisions are extremely long term. We need to give people the signals, both in the power sector and in other sectors of the economy not covered by the EU ETS, and that

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is what the Low Carbon Transition Plan is all about. Yes, you are right, but it does not negate the need for action in the power sector and in other sectors.

**Q23 Sir Robert Smith:** Does that not suggest there should be quite a lot of co-operation across Europe on the other incentives because if we choose to pour a lot of UK taxpayers' money into subsidising low-carbon electricity generation, then they will be able to trade across the border the benefits of that into the rest of Europe and allow the rest of Europe off the hook.

**Mr Virley:** We have our own domestic target of course for 2050, a very ambitious target in terms of an 80 per cent reduction in emissions, and of course circumstances are different in different countries. We have a very different housing stock for example to other countries in Europe so the energy efficiency measures that we need to take might be different from other countries that have a very different housing stock structure. Our policy package needs to reflect the circumstance that we face.

**Edward Miliband:** I am thinking through the implications behind your question. You are saying that a country could essentially not do anything and then just buy permits from abroad, possibly from us or from somewhere else. I think the problem for them goes back to my original answer. Then they will be lumbered, as our carbon price goes up, with a situation whereby they were paying incredibly high carbon prices above the cap. I think that probably would not be a good way to go. I do not think that is the general experience, and correct me if you have got other examples, of the rest of Europe because the rest of European is moving forward on lots of these areas like renewables and other areas.

**Q24 Charles Hendry:** You talk about the robustness of the carbon price and inevitably with the EU ETS there is tremendous flexibility and variability within it, yet the people who are likely to be investing in the low-carbon technologies of nuclear, carbon capture and renewables need some degree of certainty. Can you tell us where you are on the option of a floor price in the EU ETS in order to provide some greater degree of certainty to investors?

**Edward Miliband:** If we had a floor price I think it would have to be agreed across Europe, which would be a significant undertaking. I think we do need a more robust carbon price so I agree with the premise behind your question. Our focus is on getting a deal at Copenhagen which makes that happen because we think that is the best and easiest way in which we can have a carbon price that is not at the current 13 or 14 euros a tonne but at a higher level. If Europe can go to 30 per cent reductions, for example, by 2020 as part of an ambitious deal at Copenhagen, that will be good for the carbon price and good for investors. I recognise the issue that you describe and I think you are right to describe it. I think the best solution is a Copenhagen solution. As the Committee on Climate Change said, after Copenhagen we will need to look at what the outcome of Copenhagen is and what the implications of it are.

**Q25 Charles Hendry:** Can you also clarify for us where we are in terms of receipts that the British Government will get from the sale of the third round of EU ETS? There is a figure which has been put of between £3 billion and £8 billion for that, so a very substantial amount although a great deal of diversity within that. The Treasury has indicated that money has been allocated which is quite difficult when we do not know how much there is. Has that been allocated to particular purposes such as encouraging new technologies in the renewable or low-carbon sector?

**Edward Miliband:** You have been asking a series of assiduous parliamentary questions on this I gather.

**Q26 Paddy Tipping:** What is the answer?

**Edward Miliband:** The answer is, as I said at the time of the Budget because we had an exchange about this, the receipts from the EU ETS are in the overall numbers that the Chancellor lays out. The Treasury makes a forecast of the receipts they are going to get in each year of the forecast period based on the prevailing carbon price at the time, so they are in the numbers and I am helping them with the environmental spending that we make.

**Q27 Charles Hendry:** Have they been allocated to specific low-carbon projects?

**Edward Miliband:** We do not tend to hypothecate particular taxes, as you know, but we are spending large amounts of money, for example an extra £400 million was allocated in the Budget for low-carbon investment, and so in that sense I think that the receipts from the EU ETS will be more than matched by many of the different areas that we are spending money on.

**Q28 Paddy Tipping:** We need to bring on new plans, whether it is renewables or nuclear, and you have acknowledged, Ed, that a high and stable price of carbon will be important to do that. A company like EDF, who have promised you that they are going to open a new power station by Christmas 2017, need some confidence about the price of carbon. It is 13 or 14 euros per tonne at the moment. Ideally what they would be looking for is something like 40 euros per tonne. How do we reassure them in the short term because they have got to make imminent decisions?

**Edward Miliband:** Let me say a couple of things about this. The first thing I would say is that I agree with Charles that we need a more robust carbon price. I think it is worth saying though that what defines the return that a company like EDF will get is partly the carbon price but it is actually dwarfed by the gas price at the time because that tends to be the lowest cost to the system and is the marginal cost and that will tend to be the prevailing price, so there is uncertainty in the system. I am very clear that we need a more robust carbon price. I would also say that the role of government in these circumstances is to listen carefully to what companies like EDF say, and indeed the Committee on Climate Change, but also to understand that companies like EDF have a commercial interest in getting the maximum return that they can. I have said that as part of Copenhagen

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we want to have a more robust carbon price and that is an important thing to bear in mind. The other thing I would add though is that the truth is that something like carbon capture and storage, which Robert referred to, is not going to be viable in the shorter term at the current carbon price we are talking about. That is why we are proposing a levy to help fund up to four carbon capture and storage projects which we hope will receive general support across the House because we think on top of the carbon price that it is right to be providing a specific stream of financing for a newish technology like CCS because at any plausible levels of the carbon price in the 2010s it is not going to be enough to incentivise CCS. I am giving you a two-part answer that on nuclear we listen to what people say, we want a more robust carbon price and we are going to look at the Committee on Climate Change's recommendations, but there are other technologies which are going to need support over and above the carbon price.

**Q29 Paddy Tipping:** Let me ask you directly, are you ruling out a floor on the price of carbon?

**Edward Miliband:** No, I am not ruling out anything. I am not ruling it out. I am saying that our focus is on getting a more robust price through Copenhagen, but obviously these are things we look at and indeed we will look very closely at the Committee on Climate Change's recent recommendations on this issue.

**Paddy Tipping:** You have talked to us a lot about the Low Carbon Transition Plan. It is an important document and we would like to pursue that a little bit. David, do you want to start?

**Q30 Mr Anderson:** One specific point, within the plan it is envisaged that smart meters will be installed in every home by 2020 yet I met with the Energy Retail Association a few weeks ago and they envisaged it will take three and a half years from now to work out the issues around inter-operability so if people want to move supplier they can keep the same meter. They have worked on the basis that there will be something like 80 per cent coverage by 2020. Does that tally with what you are hearing from them as well?

**Edward Miliband:** The interesting thing about this, David, is that we get some people saying we are going too slowly but I did not realise there were some people who are saying we are going too quickly! We have to install 47 million gas and electric smart meters by 2020 on the basis of the plans that we have set out. I believe, and I will get Phil to come in on this, that we built into our ten-year roll-out a couple of years of preparation that we thought would be necessary so you can start some of it off but you clearly need a set of preparations to get it in place. We think 2020 is a plausible timetable. As I say, some people are urging us to go faster and I admire their ambition. We think this is a plausible timetable.

**Mr Wynn Owen:** The Secretary of State is correct, we have set an indicative timetable of around 2020 for completing the roll-out. We think we can do that although many people have likened this to the

biggest domestic programme since the roll-out of natural gas in the 1960s and 1970s, so there is a lot to do. We have been consulting, as you know, on the model and will be making an announcement later this autumn on the preferred likely model for smart meter roll-out but there then will be, you are quite right, a period of planning and preparation before smart meters are rolled out under the mandate. We estimate that could be of the order of up to three years so we would expect under that mandate perhaps the first smart meters to be installed around about the end of 2012 with completion by 2020. If you are wondering about the timescale, if I could just explain, the central programme of work managed by government will need to be co-ordinated with industry changes. We have to put in place rules, systems and infrastructure and there are really detailed technical issues which, as you know from having spoken to some of the stakeholders, really matter around meter functionality, inter-operability, and the telecommunications central function which is absolutely crucial to get right, so this quite a complex programme which we are going to need to work hard at but we are confident about the timetable we have expressed to 2020.

**Q31 Mr Anderson:** But if the people who are going to do it are not confident? The ERA are saying effectively we are going to be 20 per cent short in their view.

**Mr Wynn Owen:** I am really interested by that and would welcome any further details. As the Secretary of State indicated, some suppliers who think they are well positioned in the market are telling us they could go more quickly. Indeed, I had an email from one yesterday who had sat next to the Secretary of State at a dinner and reckons it can all be done in a matter of years. Obviously different people will be in a different position in the market and they are all jostling to go quicker or slower depending on where they think they are.

**Edward Miliband:** We will follow up, Dave, with the people you mentioned.

**Q32 Paddy Tipping:** Now we know what I always suspected that government business is done over dinner! Could I just pursue the model that you have talked about. The decision on the way forward on smart metering is perhaps a bit overdue and there are different views in the industry about whether you ought to have a central communications model or a regional franchise model and alongside that, as well as introducing smart meters, we ought to take that as an opportunity to try and insulate every house in the country, so smart metering and energy conservation; is that your view?

**Edward Miliband:** I agree with you, Chairman, that there are big opportunities here. In the consultation—and I think it is important to get this right for the reasons that Dave set out and Phil added to—we consulted on the central communications model. We are at the moment going through people's responses and will be responding shortly with our final position. I agree with you that there is an opportunity to tie this in with insulation.

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One of the attractions of the central communications model is you could imagine energy service companies offering not just to put in a smart meter for individuals but also offering them other services. The test in this, though, and it really takes us into the area of insulation, is finding a way in which customers can be assured that, frankly, they are not being ripped off and they are being offered a real deal by people. One of the things that we are wrestling with in the pay-as-you-save model is the role of the intermediaries, the honest brokers who can give people a sense of proper advice. That is something the Energy Saving Trust does on a small scale at the moment. I agree with you there are big synergies and big opportunities.

**Q33 Dr Whitehead:** On the actual specification of smart meters within the roll-out, there are criticisms that it appears on the one hand that smart meters may be over-engineered and that they are far too smart for the purpose of being a meter, but on the other hand in terms for example of the buy-in of householders that it is quite possible they will have no read-out displays for real-time energy consumption. Are you confident that the interoperable specifications that are going to be within the arrangements actually will deliver the benefits of smart meters in the way that we hope they will?

**Edward Miliband:** I think this is really important to say, and I will let Phil say something about real-time displays, that smart meters are about the customer not having to look at the wheel going round and not knowing what they are paying for and what they are using. As a user of a real-time display I know that it makes a difference and it makes you careful when you boil the kettle and all that sort of thing. The other aspect to this is the smart grid and smart demand and that is why we need to specify and install meters at a relatively high level because one of the things we may come on to is an energy market which is going to be changed by having lots more renewables. The wind blows some of the time but not all of the time and smart demand and smart grids play a very important role in managing that situation and managing demand so smart meters have this dual purpose, which is better information for the customer but also better management of our energy systems generally. That is part of the reason for this high specification.

**Mr Wynn Owen:** It might be helpful if I say something about the energy demand research project that is underway at the moment which is a £20 million project funded jointly by us and the industry. About 50,000 households are involved. I went out to see a community in North Leigh in Oxfordshire recently where it is not only about smart meters; some of the other interventions include real-time displays, additional billing information, monthly billing, energy efficiency information and particularly in the case I saw community engagement too where there was not only a meter in each house, there was also one on the local substation so you could see how much energy the whole village was consuming. There are a number of interventions being trialled through that pilot

including real-time displays. Certainly the citizens I met felt that the real-time displays were highly motivating. There is a high degree of political interest in that. Ultimately we are going to need to evaluate this research project very carefully and then put advice to ministers as to what constitutes a smart meter package. Will it include a real-time display or not? I really cannot anticipate those decisions. I know for instance that Italy went with an early version of smart meters that had no real-time display. Personally I think the degree of interest in real-time display now makes it quite likely that there will be interest in doing something of that nature.

**Edward Miliband:** Speaking for myself, and awaiting this advice, I think it is very important that the customer part of this matches the smart grid part of it. In other words, I do not think we want to go through this whole rigmarole and not have customers having better information because that is part of the point of it, but I am obviously awaiting the advice.

**Q34 Dr Whitehead:** If the advice came to you that there should not be real-time display would you be very disappointed?

**Edward Miliband:** I would ask hard questions.

**Q35 Paddy Tipping:** We would have you back before the Committee.

**Edward Miliband:** Absolutely.

**Q36 Judy Mallaber:** Going back to the overall question of the Low Carbon Transition Plan you said that a substantial amount of money had been put into this and into the development of low-carbon technologies, but it has been put to us in previous evidence sessions that in fact the amount of money we are putting into that and that came in through the Budget was rather timid and did not compare particularly well with some other countries such as for example the United States. Would you like to comment on that and our overall funding?

**Edward Miliband:** It did not feel timid to me. There are two points I want to make on this. The first point is that in the question of looking at the fiscal stimulus on its own you get no credit for any other measures that have already been taken. For example, there is £100 billion of support going into the renewables industry and renewables in the next decade. That is not included in any fiscal stimulus numbers because those were already there before we got to the Budget, so in a sense you get no credit for things that have already been decided. The second point I would make is that if you look at the spending side of this, in other words where was the extra capital and other expenditure going, I think something towards 20 per cent of that was going into green areas, which is a respectable number by international standards. I think there are really important investments that were being made as part of that. For example, £120 million was allocated by the Chancellor to encourage the development of offshore wind. As a result of some of the previous money that was allocated being spent, Clipper Windpower is now developing the largest offshore wind blade in the

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world in the north-east of England. There is money for marine, for offshore wind as I say, for a whole range of other technologies and also for energy efficiency both in the small business sector and in the public sector as well. I understand that people have different ways of looking at this but I think by international standards we are doing relatively well. When you look at what is happening as a result, the US for example plans to make two million homes energy efficient, which is about two per cent of their stock, whereas the UK has already insulated one million homes in the past year, there are different ways of looking at this.

**Q37 Judy Mallaber:** Obviously the plan has a whole wide range of different measures and deciding which should have priority must be quite difficult. When you are looking at how to prioritise specific technologies and specific low-carbon initiatives are you doing that based on evidence on the costs and benefits of each of those technologies before you decide where to put the money or is it a more piecemeal approach than that?

**Edward Miliband:** I might let Simon come in on this. It is interesting, I have been talking to our new Chief Scientist David MacKay about this, and I think there is an issue about finding ways in which we join up better the support that goes into some of the new technologies that exist. We have lots of different funding sources for these new technologies and I think all of them do a virtuous job, but making sure there is an end-to-end process which takes them from the initial stage to deployment is something where perhaps government needs to join up better what it is doing. Do you want to add something about the analytical work that we do?

**Mr Virley:** Just to go back, in a sense if we are going to decarbonise the economy you have to decarbonise the power sector and if you are going to do that you have to bring through new technologies and that is where the focus of our support is. As the Minister has indicated, large chunks of that £400 million the Chancellor announced in the Budget are going on some of the newer technologies like marine, and obviously we have plans to provide support for CCS through the levy proposals that will be legislated for shortly. In terms of the analytical framework, we obviously assess at each stage of the development the costs and benefits and the likelihood of pull-through and analyse where there are gaps in the market. To give one example of that, we have just announced plans for a proving fund for marine technologies, working with the Carbon Trust, which is obviously going to try to fill a gap that has existed in terms of pulling through marine technologies to market and we hope that a number of companies will be able to benefit from that.

**Q38 Dr Turner:** The proving fund is all well and good but the totality of these pots is just so small and spread over the range of tasks that they are intended to address that they are not entirely credible to many people that have given us evidence. Things like the proving funds do not actually help that much in bringing a technology to market when there

currently is no market in effect, as in the case of the marine technologies. Because they are new technologies they are inherently more expensive even than offshore wind so they need more than just a couple of million from a proving fund to help them through that because they cannot get the large-scale investment that they need. Unless issues like that can be addressed we could lose whole industries abroad.

**Edward Miliband:** I know this is a long-standing interest of yours, Des, and indeed we have talked about it on previous occasions. That is why my colleague Phil Hunt has put forward this Marine Action Plan precisely to look in the issue of marine what are the investments that are going to be required and what is the range of instruments we have at our disposal to make that happen. I recognise the importance of it. The proving fund is an interesting example. The Marine Renewables Deployment Fund was a fund that was set up on the basis that it could be allocated on the basis of technologies working for three months at a time in situ. That was agreed with the industry and the problem was that none of the technologies had yet got to that stage. That is why we have put in this extra £22 million to fill in that gap. We take the issue of marine very seriously in terms of the progress we could make in the UK and, as I say, that is why Phil is working on this plan and we will look at all the issues including those that I know you feel passionate about in this area.

**Q39 Dr Turner:** It is probably true to say that the Treasury have not been as helpful as they might have been in this respect.

**Edward Miliband:** I would never say that!

**Q40 Dr Turner:** I would not expect you to, Minister, not in public anyway! Will you be using your influence to try and ensure that the 2010 Budget follows through and increases the amount of resource going into this area so that we might actually produce the results we all want?

**Edward Miliband:** Marine specifically?

**Q41 Dr Turner:** Especially marine, yes.

**Edward Miliband:** Marine is something that we are working on. As I said in my answer to Judy, I think that the 2009 Budget did have important investments. It was quite significant—£1.6 billion—in various low-carbon technologies. We have mentioned some of the things that we are doing with that money. I know offshore wind is not a specific interest of yours, but the increase in the ROC banding for offshore wind that we are looking at has been something that has been very important, so we always have discussions with the Treasury about the importance of these industries. I think you are right to imply that this is not just an environmental issue; this is about Britain's economic future. I know the Treasury is very supportive on these issues.

**Dr Turner:** I wish they would follow through and put their money where their mouth is.

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**Q42 Judy Mallaber:** Following through more broadly on the 2010 Budget plus taking on board what you have just said about other money that will come through not necessarily as specified in the Budget itself, how are you going to make sure that it meets the priorities that you have identified through your research for developing low-carbon initiatives, both in terms of new technology and in terms of the incentives that might be needed for individuals to participate?

**Edward Miliband:** I am looking forward to writing the 2010 Budget in front of this Committee today! Let me put it this way: I think there is a real understanding across government, whether it is Lord Mandelson at BIS or the Chancellor, that low carbon is a central part of Britain's economic future and that an active industrial policy must mean investment in these areas. Whether it is carbon capture and storage or renewables or offshore wind or the marine industry, they are all big parts of our industrial future. It is right to say that we are in a constrained fiscal environment but within those constraints I think the Chancellor has shown real determination to get money to these areas and I think he will continue to do that.

**Q43 Judy Mallaber:** You said earlier to Anne that in terms of getting individuals to engage that you thought incentives and encouraging people were as important as getting people to have a moral stand on it. Do you feel we have the right incentive structure for being able to assist individuals and domestic users to be able to take the measures that we need and to actually get the public to be engaging in facing the challenges?

**Edward Miliband:** I think there is always more to do in this area. The introduction of feed-in tariffs in April of next year is an important step forward because it will give communities and individuals the chance to generate their own electricity and sell it back to the grid in a way that they could not before. But let us be honest about this, we have a big mountain to climb when it comes to engaging individuals. We have a big mountain to climb in persuading people about the issue. These adverts that we have been running which have run into controversy from 600 or so people about the dangers of climate change, it would be irresponsible not to be engaging people on the dangers that we face. That is absolutely the base camp in getting people engaged in this. There is also—and this is why Anne's question is right—the issue of finding ways of giving people proper incentives and proper opportunities to make the low-carbon decisions that they want to make but are financially very difficult to make, and home energy, insulation, and all of that is a big, big part of this. The current programmes are insulating something like 1.5 million homes a year, in addition Warm Front is making a difference to people but there is a lot more to do and it is a difficult time to be doing it because of the fiscal constraints and we need to design the systems whereby people will be able to make those choices. I think it is about convincing people of the scale of the problem but also convincing people that it can benefit them personally

from making these choices because if you do not do that I do not think you are going to take people with you.

**Q44 Charles Hendry:** Secretary of State, can I ask you some very specific questions on nuclear. We very much welcome the work which Mark Higson and his team have done putting in place the roadmaps and the work that has been done by the Office of Nuclear Development. There are some areas, though, where it would appear from that roadmap that there is some slippage and I would be keen to have your perspective about what is being done to get us back on track. First of all, it is clear that the current Generic Design Assessment work being carried out by the Nuclear Installations Inspectorate is behind schedule. Are you comfortable that it will be back on track by the end of next year, as the NII are suggesting?

**Edward Miliband:** I am not aware that it is behind schedule in the way that you describe. There was an issue in the NII when I first took over to do with the number of inspectors and whether they will be ready to do the work that is necessary. Actually, the increases in salary and the recruitment that was agreed internally within government and then the NII embarked on seem to have been relatively successful in terms of increasing the number of people who can work on this; so my sense is that what is necessary in terms of the GDA and being on track for 2018 is that we are still in the right place on that. Do you want to add anything?

**Mr Virley:** No; that is absolutely right. We are confident we can still do the GDA to the existing timescale.

**Q45 Charles Hendry:** At the end of that process, but we are currently behind, though, in terms of the third phase.

**Mr Virley:** We are confident we can complete it on the existing timescale.

**Q46 Charles Hendry:** But we are currently behind.

**Mr Virley:** I do not think we are. The NII are confident that we can get through that work.

**Q47 Charles Hendry:** Secondly, on national policy statements, we have now seen the magnitude of the Nuclear National Policy Statement. What is your timescale for getting that through the parliamentary approval process?

**Edward Miliband:** We will be publishing it in the next couple of weeks alongside a set of other national policy statements. Then it obviously goes for consultation, and it has to go through the parliamentary processes, and then we want to designate them as quickly as possible for the Infrastructure Planning Commission to do its work and, again, I hope that the work of the Infrastructure Planning Commission will receive all-party support.

**Q48 Charles Hendry:** I understand what you are saying on that.

**Edward Miliband:** Do all you can!

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**Q49 Charles Hendry:** In relation to the NPSs, clearly this Committee has to do the work of assessing those. Do you have a timescale in mind, because, clearly, I think, for the investors it would be quite useful to know?

**Edward Miliband:** As rapid as possible. Do you want to come in on that?

**Mr Virley:** We would anticipate, given the length of the document, to give more than the statutory 12-week consultation period. As the Minister indicates, we are hoping to consult on those shortly, which would mean it will be coming to this Committee for vetting in the early spring of next year, subject, obviously, to other developments.

**Q50 Paddy Tipping:** Let me say, I am determined that we get through this before 6 May—and there is nothing significant about 6 May!

**Edward Miliband:** I very much support that. These NPSs have been a big enterprise and we have to get them right, not least because we have to make sure we go through proper processes in order that we do not have hold-ups later, if I can put it in that way. We want to get them out of the door and any help you can give for getting them out of the door is very welcome.

**Q51 Paddy Tipping:** Can I pursue a point you made earlier around the employment and industrial possibilities of moving to a low-carbon economy? Does it worry you that here in the UK there is no wind turbine manufacturer? I know you have had contact with Vestas. Would you like to comment on their decision to close the plant?

**Edward Miliband:** Vestas was a very difficult issue and I very much regret what happened. We talked to the company over a number of months about whether money would make a difference to them. They said that was not the issue, for them the issue was the volume of orders they had and the scale of their market share. I think it teaches me a very important lesson, which is that if you are going to succeed in these low-carbon industries you have got to have low-carbon generation. You cannot be a centre for onshore wind manufacturing if you are not generating enough onshore wind. I got into trouble a few months ago, at least with some people, for saying that I thought that we could not just simply oppose wind turbines in a blanket way. I continue to think that, not just environmentally but also for industrial reasons as well. I talked to the Isle of Wight Council about this recently. One of the things that really got Vestas not very happy was that even on the Isle of Wight their wind turbines were turned down. This is tough, and I do not want to underestimate that some people in communities feel very strongly about this, but we have got to move on this low-carbon generation. What strikes me on this is that there are always going to be people who will say no to each of these low-carbon technologies—some people say no to all of them, but no to renewables, no to clean coal, no to nuclear—and actually we need all of them if we are going to make this progress, and that is true environmentally and industrially as well.

**Q52 Paddy Tipping:** We have talked quite a lot about smart meters and a little bit about domestic energy conservation, but the amount of energy used in UK households is still going up despite all the efforts. That is worrying, is it not?

**Edward Miliband:** 2008 was a particularly cold winter and 2007 was a mild winter, and that explains the figures that I think your Committee have drawn attention to, but that does not remove the fact that we face a very, very big challenge in relation to the household sector. If you look at the figures over the last 15 years, they have stayed pretty much flat, I think I am right in saying, and we need to do better; we need to do more on this. Actually we are doing a lot in terms of insulation. I think six million households under CERT since 2002 have been insulated, but the scale of the challenge is even bigger.

**Q53 Paddy Tipping:** But you would have thought that high energy prices would reduce demand. You represent a constituency very similar to my own. People are pretty angry about the cost of their energy bills and they keep saying to me, “What are you going to do about it?” and I say to them, “I am going to ask the Secretary of State. What are you going to do about it?”

**Edward Miliband:** This is not about consumption, this is about prices. This is a very important issue. I have been very open about the fact that in the low carbon transition prices are going to rise, we said, six per cent, as a result of climate change policies, by 2010, but I think what people want in relation to prices is a sense of fairness. Actually, I think that in the last year some progress (and I want to emphasise “some” progress) has been made on this. On the issue of pre-payment meters, for example, which has been a very big issue for people in your constituency and, indeed, in mine, as a result of the Ofgem probe and as a result of the new legislation that they have put in place to prevent people being unfairly discriminated against in terms of price, the differential between pre-payment and standard credit for an average dual fuel customer has gone down from £41 to essentially being eliminated. That is some progress in this, but there is a more general issue about prices. I am very clear about this, Chairman. We have instituted a quarterly report that Ofgem must publish about the relationship between wholesale and retail prices. The company say that they buy their gas forward. In my latest conversation with the regulator in the last couple of weeks, they have said, “Look, it is very clear from our report that wholesale costs, if current trends continue, will fall over the next six months by about eight per cent in the gas area, and we would expect those price reductions to be passed on to consumers”, and I agree with them and I have said that very clearly. I think it is also right to say that we are legislating, subject to the normal procedures, hopefully in a forthcoming Bill, to make clear to the regulator that competition is a very important part of getting a good deal for consumers, but they also should feel

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free to be able to use other means as well and they should be a proactive regulator. Secondly, we are giving them new powers. We would like to give them new powers to clamp down on abuses that exist, particularly in the wholesale market. I am very clear that in an era of essentially upward pressures on prices you need significantly tougher regulation and significantly tougher regulation than we have had, and I have made that clear to the regulator.

**Q54 Paddy Tipping:** Some of my colleagues would argue that there is a need for a Competition Commission inquiry. The problem with that is the delay, is it not?

**Edward Miliband:** That is the problem with it. I want to get action quickly for consumers, your constituents, mine and everyone else's, and the problem with that proposal is that it ties things up for some months, if not a lot longer than that. It is a last resort, as far as I am concerned, but the companies do need to take action and the regulator does need to be tough.

**Q55 Miss Kirkbride:** Going back to household emissions, in many ways it ought to be the easiest hit to get people to cut their household bills because they have an incentive to do it, because energy is getting more expensive all the time and we would all like to see our fuel bills reduce. It seems to me that some councils have financially incentivised people to cut their fuel bills. As we were talking earlier, there has been an impact on the kind of cars people buy because of financial incentives. Do you believe the Government has done enough to actually get householders with real financial incentives to cut their household fuel bills?

**Edward Miliband:** I think we need to do more. That is why we are proposing what we call "the Great British Refurb", which is to say (and, to be fair, I think this is shared across parties as a way forward) that the real problem with investment in energy efficiency, quite apart from the potential inconvenience, is the fact that the costs tend not to be repaid over a short period but over a long period. Basic cavity wall and loft insulation can be done over a shorter period, but, frankly, we have made quite a lot of progress on that, millions of homes do have that, but the more complex either insulation measures or moving to different forms of heating pay back over a longer period. So the key thing is to find a financing mechanism to link the repayments to the household, not the person, so they are spread, not over eight or nine years, the average time someone lives in a house, but more like 20 or 25 years; and that is the nature of our proposals, and local councils can play a very important role in that. I think we have done reasonably well, actually, on loft and cavity wall insulation, and the energy company schemes, Warm Front and other things have made a real impact on that, but there is further to go on the harder measures, and that is where our focus is turning to.

**Q56 Miss Kirkbride:** Would not the technologies pay back in a shorter timescale if more people wanted to take them up, and more people would want to take them up if you had shown more leadership and encouraged them to do so?

**Edward Miliband:** I am not quite sure what you are getting at, because I think people make a very clear judgment about, "Is this financially in my interests?" and at the moment for lots of people it is not financially in their interests to have the more dramatic measures in their homes, or at least they do not think it is, and that is why we are pushing forward on this, but I do not think us saying to people, "You should do it", on its own is enough. You need to provide people with the incentives, and that is what we are trying to do.

**Q57 Dr Whitehead:** Could I ask a couple of questions on the consequences of what is certainly now an ambitious programme on domestic energy efficiency? Firstly, the NAO in 2008 did point out what they regarded as a number of risks associated with the Energy Efficiency Programme, particularly the issue of compliance with building regulations, where there is, firstly, a serious enforcement of building regulations and, secondly, awareness of what compliance was. They also pointed out the question of the capacity in the energy efficiency industry to deliver on the ambitions that are now coming into place. Do you think these are serious risks in terms of the programme that is in front of us, and has the Department looked at those sort of risks and does it have a view as to how those problems might be overcome?

**Edward Miliband:** I think there are big hurdles in making the kind of changes that we want to see in the household sector. Obviously, I am aware of the NAO report and Moira has given evidence to the PAC about the NAO report. There are five key recommendations and we are acting on those. Do either of you want to add anything?

**Ms Wallace:** First of all, we agree that our numbers assume a very significant contribution from new building regulations, and so we are taking the issue of compliance very seriously and we are working very closely with colleagues in local government who lead that, because in our carbon budgets we have quite a big number down for that, so we are watching that one very closely. In terms of industry capacity, one of the things we are now doing much more of is actually driving the performance management of the targets that we have got—for example the commitment on six million which we are driving quarter by quarter—and we are working very closely with the industry and we believe the capacity is there, but we are watching that like a hawk, as you would you expect.

**Q58 Dr Whitehead:** Do you think that the transition programme—Ed, you have mentioned, for example, the issue of methods by which people can spread the capital cost of new energy efficiency technologies and microgeneration, and what have you, over a period of time—is going to be speedy enough? I have

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in mind, for example, the continuation of CERT where energy companies are being, effectively, tasked to go and find people in energy poverty and sort them out, as it were, on essentially a patchwork basis. Measures such as leasing, perhaps, for microgeneration have not yet been seriously analysed, even though we know that the capital cost of microgeneration is a very serious impediment to its widespread take-up within the domestic sector. Is the speed of the consequences of the ambition matching the ambition itself, do you think?

**Mr Owen:** It might be helpful if I answer that by mentioning two very exciting pilots at which we are looking at the moment. One is directly in the area of financing for householders, because we do recognise, as we have explained, that once people get beyond having changed the lights and insulating the loft and possibly filling the cavity walls, they may be moving into terrain like changing boilers, et cetera, possibly to heat pumps in the future, that could cost several thousand pounds. So we have got a “pay-as-you-save” pilot, which is out to tender at the moment and that we hope to announce the results on shortly, which is looking directly at that issue as to how money can be made available upfront to households that they do not have to find themselves and that they can pay from the savings they make in their fuel efficiency over time.

**Q59 Dr Whitehead:** This is the proposal that the district network operator should incorporate an element of a capital cost within a charge on a DNO arrangement. Is that right?

**Mr Owen:** That is one possibility. The whole point of “pay-as-you-save” pilots is to look at a number of different potential financing models by which a defined capital cost might be amortized over time in the interests of the householder so they can meet the payments out of their fuel efficiency savings. The other pilot that has begun is the so-called Community Energy Saving Programme, where last week British Gas announced the first ten local authorities where there are going to be very targeted house-by-house street-by-street programmes, initially in areas where we think there may be a high propensity to fuel poverty, and that included, for instance, initial agreements with local authorities in the Birmingham area, which may interest your colleague who asked a similar question just before you.

**Q60 Dr Whitehead:** If these programmes do go ahead and are successful to the extent they are, what mechanisms might you put in place and look to put in place so that the concentration of different measures such as CERT, such as the financial consequences, the installation of smart meters and other programmes do not concentrate together simply to land on the door of the energy consumer? Do you have, in parallel, measures which could reliably offset a number of the costs of these measures at different stages of the energy supply process and not simply on consumer bills?

**Edward Miliband:** Alan, the way I would answer this is that I think the pay-back (and this is evidenced in the transition plan) from the energy efficiency measures far outweighs their costs actually. It is true of smart meters too actually, but the pay-back particularly from energy, I am remembering a ratio of seven to one, or something. That may not be exactly right, but there is a really big pay-back in terms of the benefits to consumers in terms of how much money is saved. This has been done traditionally through CERT and its predecessor programmes, the EEC Programme, through household consumers. The difficult truth of this is that we have to find the money from somewhere; so I think it will come from public expenditure or it is going to come from bill payers. What is very important in this (and I thought that was maybe where your question was going to go) is that we make sure that those in fuel poverty are the first beneficiaries of these programmes, because what would be a real problem is that you have these programmes and then you end up with the people in fuel poverty being either the last beneficiaries or non-beneficiaries of these programmes, and the point of CESP is to find a way in which we can really target these 90,000 households in particularly fuel poor areas, finding a way in which we can target the fuel poor with these programmes. So my priority in this (and it goes back to my comment to the Chairman about fairness) is to find a way in which we can do this in as fair a way as possible.

**Q61 Anne Main:** I would like to go back to consumption within domestic markets and ways that we can incentivise people to put in very expensive things such as solar power, and so on. Have you given any thought, since council tax is usually something that usually rattles the cages of most people, whatever band they happen to be in, as to whether there would be any merit in encouraging councils to give a half council tax band green rating to people who put in these particularly expensive models, which would stay with the house and, therefore, be an on-going benefit to selling the house, and it could be matched by funding from government to encourage councils to give this take-up?

**Edward Miliband:** I think councils can offer discounts to people at the moment.

**Q62 Anne Main:** But there is no encouragement from Government for them to do that, is there?

**Edward Miliband:** No. You are talking about the Government spending more money on this. We will listen to all possibilities. Tax is obviously a matter for the Treasury, but in terms of finding ways in which we can get people to make changes in their houses and incentivise them, I think local authorities will play a very significant role in this, so we will look at all possibilities on that.

**Paddy Tipping:** We are beginning to talk about fuel poverty, which is a challenging target. Can we pursue that a bit more? Judy?

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**Q63 Judy Mallaber:** You have figures that the number of households in fuel poverty rose by half a million between 2006 and 2007 and may have risen further since. Are those figures that you recognise and how do you view what has been happening since then?

**Edward Miliband:** Yes, they are. I think they were published last week. This is a very difficult situation we face in relation to fuel poverty. What has happened is that fuel poverty fell a lot in the years after 1997 and then, following the increase in energy prices in about 2004, fuel poverty has gone up in response to rising energy prices. The key thing for government, it seems to me, is to have a strategy to address this as much as possible, and I think it has got to be a number of things. First of all, it is about energy efficiency measures targeted at the fuel poor through, for example, Warm Front and associated schemes. Secondly, it is about finding ways in which we can improve the price support that exists for poor consumers, and so we have suggested that we should make the current voluntary social tariffs mandatory in order to provide a better deal for vulnerable consumers. Thirdly, and this goes back to my answer to the Chairman, it is about the regulator bearing down on the energy companies, particularly when they treat people unfairly who are more likely to be in fuel poverty, such as people who are on pre-payment meters or standard credit. Fourthly, there is always the question of incomes, winter fuel payments and other things and what more we can do in that area. So the prices have risen and, therefore, fuel poverty has gone up. On all fronts we need to do what we can to try and get it heading in the right direction.

**Q64 Judy Mallaber:** On Warm Front specifically, we have all seen in our constituencies, I think, both good examples and problematic examples, and I know that the minister responsible has been making changes since to the programme where we have had people who have not been, for example, able to access it because it does not cover the costs and they cannot meet the additional amount. That is just one example. The NAO also said that it was being offered to some people that did not really need it, and were not in fuel poverty, and that others that are in fuel poverty were not getting it. How are you assessing whether the changes that have been made since that report are actually going to hit the target and make sure that we are not facing these difficulties?

**Edward Miliband:** I think it is very important to answer your question. There are three parts to this and Moira may want to come in on this. First of all, it came up when we came before the Committee earlier this year. We needed to improve the operation of the Warm Front scheme because people's experience of the Warm Front scheme was quite mixed and there were some bad cases, and we have made a number of operational changes to get better value for money out of the scheme and to make the scheme work better. Secondly, there was the issue of people having to make their own contribution, because the grant maximum was not high enough,

but then, essentially, the poorest people not coming forward because they could not make the contribution. Therefore, we have raised the grant maximum. I think that was an important step to take in terms of Warm Front and the support we provide under it.

**Ms Wallace:** The other thing I would say is that, of course, Warm Front also has a role in helping prevent people fall into fuel poverty, and that means the targeting issues are not quite as straightforward. So some of it, you could argue, is not so well targeted but it can stop someone moving into fuel poverty.

**Edward Miliband:** I knew there was a third issue, the targeting issue. Let me just say on the targeting issue, we always look at what people have to say on this. The only point I make about this, and, Judy, you will have seen this in your own constituency, is sometimes with excessive targeting you find that people just above a particular level, who are actually in pretty difficult circumstances, do not get help. We have tried to find a way in the criteria for the Warm Front scheme of targeting the elderly and the disabled in particular. So we always look out for what people have to say about this, but we always also need to proceed cautiously. Sometimes when we try and improve the targeting of these schemes, we find that the people who need help do not get the help they need.

**Q65 Judy Mallaber:** How are you reviewing it and, specifically, the point that was being made about being sure that the particular contractors were offering a fair deal? People often have said to us, as we know, that they could have got it done cheaper by somebody else than the person they were offered by Warm Front.

**Mr Owen:** Perhaps I should just say something about the extensive re-negotiation of the contract with eaga, which took place this summer and has now concluded in a number of improvements which have included increased competition for work between installers. The eaga in-house installation companies will no longer be automatically allocated up to 30 per cent of the work but will have to compete for the majority of it. I think that was something the NAO had been particularly critical of. There is going to be a new surveying process using electronic computer-aided design, so they get a much better feeling for what needs to be done in the house with improved inspection processes. eaga have put in much more effort to their customer service offer and the contract is being extended to March 2011. All of that was summarised in a letter which our relevant Minister, David Kidney, sent to all members of the House on 21 July. You will find further details in there.

**Q66 Sir Robert Smith:** The message in what you have said is that the Government relied far too much on a reduction in fuel prices and did not realise how crucial it was to get the housing stock ready. They were warned there were three pillars, as it were: income, housing stock and fuel price, and they relied so much on the fuel price because the statistics looked good, but they did not bed in.

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**Edward Miliband:** To be honest with you, what we have done on insulation is getting a slightly bad rap this morning. I was mentioning to Simon that since 2002, I think I am right in saying, we have had six million homes that have been helped under the CERT scheme. The Prime Minister's announcement last year around the CERT uplift means we are going to help another six million homes. So we have moved quite a long way on home energy efficiency and we have moved quite a long way on incomes for people, but it is the case that when oil prices go up it is hard to prevent other impacts. I take the point that as we look forward we need to get onto the harder measures in terms of insulation, but I think we have actually made rather a lot of progress on loft and cavity wall insulation.

**Q67 Sir Robert Smith:** One of the harder measures also that are missing out are those people not on the gas main?

**Edward Miliband:** Sure.

**Q68 Sir Robert Smith:** In particular, do you see some role for widening the remit of Ofgem to look at the supply of oil and LPG and other heating fuels to see what kind of social obligations should be involved in their relationship with the customer because at the moment they have no obligation at all towards fuel poverty or any issues to do with fuel poverty?

**Edward Miliband:** My sense about the LPG market is that it has got relatively different characteristics from the conventional electricity market, but I think the issue you raise about people in those circumstances, people who are not on the gas grid, is an important issue. For example, one of the changes that Ofgem have brought in in terms of prices is for people who are off the gas grid and getting electricity. They found that they were being unfairly charged, there being a price impact. I think, also, under Warm Front we are looking at what can be done for this group.

**Ms Wallace:** I think we are, and I think some of that is to do with trying new measures which might be appropriate for people who are just off grid, such as air-source heat pumps, and we are now trying through that.

**Mr Virley:** The introduction of the Renewable Heat Incentive in April 2011 will obviously provide new subsidies for new technologies to help people get off deliveries of coal or heating oil, for example, and install renewable heat technology. So that is another part of the support package provided.

**Q69 Sir Robert Smith:** If someone is in fuel poverty and supplied by a gas company, they get protections about being a vulnerable customer, they get protections about not being cut off. There is no safety-net, there is nothing if you are not on the gas main for your heating fuel supply. Do you not think it is time to look again just to see if Ofgem's social remit should not extend to giving guidance to those companies as to how to relate to the vulnerable customers they have to deal with?

**Edward Miliband:** I know this is a long-standing issue that you, in particular, have raised. Rather than give you an answer now, we will look at this and I will perhaps write to you on this.

**Q70 Paddy Tipping:** When times are tough it makes sense to look at all spending programmes. All the elderly get winter fuel allowances. In fact, we get the winter fuel allowance at our house but we do not really need it. Do you think it makes sense to target that money more effectively?

**Edward Miliband:** I confess, I am a believer that you need a welfare state which is a mix of universal and targeted payments, and I think people value the winter fuel payment now. Obviously it has been increased, and I think that has made a big difference to people. Means-testing in the kind of welfare state that we have has its place and is important, but I think that the universal payments are also very important. Why are they important? Because they definitely get to people, so you do not have a problem of people not applying for them, and I think they are also part of the kind of support that we need for our welfare state. So I am a believer of the winter fuel payment as is.

**Q71 Paddy Tipping:** I think we will have a wider discussion over the next few months about the advantages of universal benefits. It just seems to me that as things get more and more restricted some tough choices are going to have to be made.

**Edward Miliband:** Sure.

**Q72 Paddy Tipping:** Earlier on you made some intriguing remarks that perhaps Ofgem could be more proactive. Would you sketch that out a bit? How do you think Ofgem does as a body?

**Edward Miliband:** I think they are doing better, is the way I would put it. I think in the last year they have understood people's anger, frankly, about some of the practices of the energy companies, and they are starting to respond to that. I always encourage them to be as robust as possible. I think it is very important that they are. I think it is very important that they are seen as a consumer's champion. I think there is further to go to convince people that we have the necessary regulation in place. What we are doing in the Bill towards that end is making clear to Ofgem, in their primary duty, that as well as relying on competition to protect the consumer, they can also be proactive on behalf of the consumer: for example, what they did in terms of the probe and then the licence condition changes that followed. We are also responding to a long-standing debate and, indeed, request from them to provide what is called a market power licence condition, so that they can intervene (I think it is to do with the generating market) when they think there is abuse. That is a power that they think they needed, and if they come to me and say they need extra powers, I am very happy to provide that, and we are proposing a series of other changes. As I said to you earlier in my answer, we need tougher regulation on behalf of the consumer at a time when pressures on prices are upwards.

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**Q73 Paddy Tipping:** Is it helpful that Ofgem produces reports that suggest that electricity bills could go up by 60 per cent over the next few years?

**Edward Miliband:** I think that is one particular extreme scenario in their Project Discovery. I think that the role of the regulator as both the champion of the consumer but also the guarantor of the security of supply is very important. I think what is interesting about the Project Discovery work—the work that you mentioned—is that it showed the importance of driving forward on meeting our low carbon targets, because the best guarantee of both security of supply and keeping prices as low as possible was making that low carbon transition.

**Q74 Anne Main:** It seems maybe a four or five out of ten for Ofgem, from the Minister's comments. Perhaps he would like to give them a slightly higher or lower figure depending on his answer to the next question. They introduced over-arching standards of conduct but were not incorporating licence conditions about billing. Billing is incredibly confusing for customers, it has been a source of major complaints, and the complexity of products that are on offer means that many consumers, particularly those who are fuel poor or without access to technology such as the Internet to be able to shop around, are left confused. Do you think Ofgem went far enough? Should they have done more: a mandatory summary box about billing? What more should they have done? What would you have liked to see done and what are you going to do about it?

**Edward Miliband:** I had better not give them marks out of ten: they might give me marks out of ten. I think it is a practice we should not encourage. On the specific very important issue you raised about customer information, I think there is a lot further to go on this. Ofgem have now said that they will require the companies to produce an annual statement which shows what kind of deal people are getting and how they can get a better deal with that company—whether they are getting the best available tariff from that company. I think that is a very important change, but there are other changes—when people are informed of price rises, for example, which I know is a big issue, and other practices—which I think that they need to be tougher on. So my encouragement to them as the regulator is to be as tough as possible, particularly on these questions of information, because I do not think that people get a sense of clarity. On your point about number of tariffs, I think here is why we need to be a bit more careful. Part of the benefit of competition is that people do get a chance to shop around. They need to be able to shop around on a transparent and properly informed basis, and you need proper protection, in my view, for those people who do not shop around. I think really we have two markets: we have some people who shop around keenly and lots of people who do not, and there needs to be protection for the people who do not shop around, but on your general point, in the information that is provided and transparency to

consumers there is definitely further to go. I think Ofgem is moving in the right direction, but I would encourage them to go further.

**Q75 Anne Main:** Is it acceptable that customers should potentially wait 65 days to be told electricity and gas prices are going up because in the mean time, when they make up their mind to switch, they actually may have found that if they had stayed put they would have been better off because the tariffs have changed in between?

**Edward Miliband:** I do not think it is acceptable that customers should have to wait 65 days to be informed of price rises. Ofgem have a specific mission that the best practice is notifying consumers of a price rise as soon as possible, and preferably in advance, but, I have to say, I think 65 days is a pretty long backstop. I would think the company should do better than that.

**Q76 Dr Turner:** The problem of fuel poverty is not going to go away in a hurry. Whatever figure you put on it, changes in technology and fossil fuel prices and a whole range of factors are going to mean that basic energy prices are going to steadily go up anyway. Do you think that we have done enough to explore the possibilities of using social tariffs in order to address the fuel poverty issue and possibly even to discourage excessive use of energy by increasing the pro rata tariff as people use more energy rather than less?

**Edward Miliband:** On the first point, Des, we want to make social prices more mandatory, and that is something we hope might be part of a future energy role because we think it is important to move on that. We have a voluntary arrangement in place at the moment. I also think part of the task in this is to find a way in which we can avoid some of the problems we see at the moment, which is that you get two people in the same circumstances, one of whom gets a social tariff and one of whom does not and when talking about specific groups we might want to target as part of a mandatory social price support we will want to ensure that there is as comprehensive coverage as possible. So I think more use can be made of mandatory social price support; I agree with you. On the question of rising block tariffs so you charge people less for the first part of their energy and more for the second part of their energy, there are certain attractions to this, but we have looked at this and our worry is that the fuel poor who live in draughty houses but without much insulation may end up paying more and you might end up with some rather perverse redistributive effects in this. That is the down side of that. On the overall point you make about fuel poverty, it is a massive challenge, even bigger given the low carbon transition we need to make. Going back to what Robert said, you have got to act on all of these areas. You have got to act on incomes, you have got to act on housing and you have got to get as good a deal as you can on prices notwithstanding the overall direction of travel.

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**Paddy Tipping:** Let us talk a bit about security of supply, and there might be one or two odd questions at the end. We talked about carbon capture and storage earlier on. Robert?

**Q77 Sir Robert Smith:** You have built into your hopes that carbon capture and storage is going to play a big part in providing the low carbon secure supplies in the future, but how is the competition currently going to get the plants up and running?

**Edward Miliband:** Fine. We have an invitation to tender and the deadline is 6 November for the companies concerned to respond to that. We have a proposed levy, as you know, to fund up to four carbon capture and storage projects. Again, subject to the normal course of events, we hope that might be in a forthcoming Energy Bill, and that is important, and we will be shortly responding to consultation on our conditions for new coal-fired power stations. So, I think, in all these areas we are moving forward.

**Q78 Sir Robert Smith:** Given the history of carbon capture and storage in this country and the false dawns we have had, what kind of assurance can you give that this time the competition really will go forward and when the tenders come in something is then going to happen?

**Edward Miliband:** That is the basis on which we are proceeding and that is the basis on which we are determined to proceed. I think it is really important to say this. Again, it is a cost to consumers of two per cent by 2020, but I think the levy is a really important step forward, because I think it provides a certain stream of funding for carbon capture and storage in this country. We are living in constrained times in terms of public expenditure and I think establishing that clear, hypothecated (I am probably not supposed to use that word) mechanism for carbon capture and storage is very, very important, and I think it does guarantee that this is not a false dawn but that we will be moving forward, and we have seen real enthusiasm. I might add, by the way, that we are waiting for an official decision from the European Commission and its decisions on the European recovery package whether there is potential funding for carbon capture and storage as well.

**Q79 Sir Robert Smith:** On the wider security issue, what role do you see for our domestic gas production in providing security to the UK?

**Edward Miliband:** Domestic gas production plays a very important role. I think the North Sea still provides about half of our gas supplies. I often say we are in a transition economy, but we are in a long transition and gas is a very important part of that bridge and that transition. I think the North Sea plays a very important role. I might also add that down the road we will be talking about carbon capture and storage, I hope, in relation to gas and the role it can play in relation to gas. So I think our North Sea industry is absolutely vital, both in the transition and in the longer-term.

**Q80 Paddy Tipping:** You know of plans to re-open Harworth Colliery, close to your constituency. There is an application in to the European Investment Bank. One of the stumbling blocks is that the EIB is saying this coal has to be burnt cleanly, but there is not anywhere to burn it cleanly at the moment. How can we help UK Coal to reopen Harworth?

**Edward Miliband:** We are working with the EIB, and my colleague, Phil Hunt, has been closely in touch with UK Coal and the EIB on this. We want to get over those stumbling blocks because we think there are not just job opportunities here but there is a big opportunity in terms of what this can do for indigenous production to support carbon capture and storage, and so we are working with the EIB. I think we have very important plans in relation to carbon capture and storage which can, hopefully, meet some of the EIB's concerns, but we are working with them on that.

**Q81 Mr Anderson:** You mentioned CCS projects and I know the policy is up to four. Is it up to four or is it going to be four?

**Edward Miliband:** I obviously hope it is going to be four, but those are discussions that have to take place about the exact number that we are going to fund and the exact implications of the levy. We say there will definitely be two in the first instance. I also think this reflects the phasing that we are talking about. We are talking about a decade essentially where we hopefully will have four projects and we need to get two going as quickly as possible and then another two, hopefully, will follow. So that is a discussion that is on-going and we will be making forthcoming announcements, I hope, on that.

**Q82 Mr Anderson:** Just to qualify the point that the Chairman raised about Harworth Colliery, my understanding is Harworth Colliery has been put on an extended mothball period for another 12 months and that the workforce at Welbeck Colliery could have automatically transferred across. They are looking at their working life finishing in February or April. So we are going to have a UK coalmine closed and one standing empty, not being used and, at the same time we are buying coal from regimes in this world where, frankly, the death rates for miners are what they were in the late nineteenth century in this country. Does that sit comfortably with you and, if it does not, why can we not do more to increase UK Coal production?

**Edward Miliband:** I want to encourage indigenous coal production—indeed, as you know, Hatfield pit reopened in my constituency a couple of years back—and that is why we are working with the EIB. It does require significant investment of money, money that it is hard for us to find from the Exchequer, but that is why we are working with the EIB, to try and make this thing happen and you have my absolute assurance, Dave, that we are working as hard as we can to make this happen and we are doing all we can with the EIB to make clear the importance of this.

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**Q83 Mr Anderson:** A final question, and you will not be surprised I ask this. You had a discussion in the North East with people who are developing plans for underground gasification of coal and you agreed, in response to a question I asked you, on the floor about whether or not you look for support for doing a strategic environmental assessment in the North Sea. Is that being pursued?

**Edward Miliband:** We are pursuing that, and I am very happy to talk to you in more detail about this. We do think this has real potential importance. The new technology you talk about has got real value for us and we hope to take that forward.

**Q84 Dr Whitehead:** Perhaps a slightly downbeat ending to the wider questions that we have developed this morning: a couple of questions about the management of the Department itself. Why does the Department continue to be so poor in responding to letters from MPs?

**Edward Miliband:** There is no excuse for this. It has been a big concern of mine. I think it reflects on the Department's reputation among colleagues. I think we have made some progress on this. I will ask Moira to say a bit more detail about this. We have made some progress on this, but we absolutely recognise that we have further to go to meet the standards that we should rightly be achieving.

**Ms Wallace:** When we last appeared before you we had a very large backlog, which we were very ashamed of and apologetic about. We cleared that backlog and we have now set a new target. We have set a target to clear 80 per cent of ministerial cases within 15 days. Some departments choose a 20-day target; we have chosen a 15-day target. We are not meeting that yet. We have improved against it—we are now at 46 per cent—but that is not good enough, and what we are now doing is looking at the further process improvements that are necessary to get us meeting that target. We have been trying to operate in a system where we are borrowing services from the two departments that we came from, and that does introduce delays in the process because they are all on different geographical sites. So we think there are too many steps in the chain and we are now trying to bring this in-house and we are just looking at the business case for that, because that is the thing that looks to us that is necessary to meet the target. So we are in a better place but we are not in a good enough place yet.

**Q85 Dr Whitehead:** What about written parliamentary questions?

**Ms Wallace:** We are in a slightly better place on that. Our target there is to answer 70 per cent within five days, and we have been meeting that target for the last couple of months and we have no significant backlog of things that are missing the target. The Speaker set the target to get everything answered that was put down by, I think, 16 July, and we met that target.

**Edward Miliband:** Not just us.

**Ms Wallace:** No, not just us, but we were rather proud to meet it. So we are in a better place on PQs but still a bit behind on correspondence.

**Q86 Dr Whitehead:** How are you doing on what one might call the garden patio heater known as 3 Whitehall Place?

**Edward Miliband:** Better news.

**Ms Wallace:** We have slightly better news on that. This is famously classified at G, which is the worst rating.

**Edward Miliband:** We are doing a public service by taking it over.

**Ms Wallace:** We have done a public service by taking it over. We have also doubled the number of people in it, which, of course, makes it harder to improve the rating, but we have just had a reassessment. On an annual basis it is still a G because the months that record the improvement that we have made do not yet outweigh the first months, but actually the last monthly rating was a D and we are expecting quite soon that the annual rating will become an F and will improve after that. In terms of per person emissions, because we have got a lot more people in there, it is now a much more occupied building and per person emissions have fallen by 35 per cent over the last year, which is actually quite impressive and is a sign to us of how much you can actually do by looking into the details of when is your air conditioning on and when is your heating on, do you have the right light bulbs, do you have the right controls on them? So we have not changed the annual rating, but it is just round the corner.

**Q87 Sir Robert Smith:** When you envisage the joined-up department, I was intrigued about the correspondence units tracking letters that should have been chased up, discovered they had been farmed off, as you say, to Defra when they should have been farmed off to BIS or vice versa. Was that a temporary measure?

**Edward Miliband:** It was about shared services. It was about doing things more efficiently, was it not, sharing services?

**Ms Wallace:** We will not replicate services that we can buy, effectively, from another department. In the early days we had to borrow.

**Q88 Sir Robert Smith:** If you think about it, the whole philosophy was bringing environment and energy together into one whole.

**Ms Wallace:** Yes.

**Q89 Sir Robert Smith:** And then you take a piece of correspondence saying, "That is really environment, so it should go to them", or, "That is really energy, so it should to BIS." Surely the correspondence should be starting to be seen holistically?

**Ms Wallace:** That is exactly what we are doing, but on day one we could not just invent a correspondence function out of nowhere, and so we had to soldier on with what we could borrow.

**Q90 Paddy Tipping:** Before we conclude, can we pick up on one or two more issues around security of supply. Des first and then Charles will talk about your research as well.

**Edward Miliband:** It sounds intriguing.

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**Q91 Dr Turner:** Security of supply seems to be inextricably linked with the low carbon transition in any event, and both are very much affected by the investment conditions which are affected by the carbon price, so we come back to the carbon price. There have been reservations expressed by nuclear companies, notably EDF, concerning their costs and the carbon price determining their ability to invest. The same applies to CCS and to other emerging low-carbon technologies. Are you confident that (a) you will get the investment to deliver the nuclear programme and the CCS programme and (b) whether the market conditions, including the carbon price, will be such as to encourage other low-carbon technologies?

**Edward Miliband:** I am confident, and as others said in earlier answers, we are determined to take the action at Copenhagen, in the first instance, which will establish a more robust carbon price. We will absolutely listen to what the nuclear industry and others have to say. On your wider question about security of supply, it is worth saying that 18<sup>2</sup> gigawatt of plant, as people know, is closing over the next few years, but 20 gigawatt is either under construction or has planning consent. I think the question for Britain is do we meet security of supply in a high carbon way or do we meet it in a lower carbon way? That is the importance of renewables and nuclear, but I am confident.

**Q92 Sir Robert Smith:** Are you sure it has all got planning consent, or are you not sure and you are including in that 20 gigawatt stuff that has applied for planning?

**Edward Miliband:** No, I think 10 gigawatt is already under construction and 10 gigawatt has got planning consent and is not yet under construction.

**Q93 Dr Turner:** What allowance do you make for load factors?

**Edward Miliband:** In other words, the fact that wind—

**Q94 Dr Turner:** Yes.

**Edward Miliband:** It is on what we call a de-rated basis, so we do make allowance for that.

**Q95 Charles Hendry:** Can I pick up on the gas side of this?

**Edward Miliband:** Your research!

**Charles Hendry:** No, that comes later.

**Paddy Tipping:** That is the killer blow.

**Q96 Charles Hendry:** Do not get too excited. The low carbon transition plan suggests that by 2020 gas will be 29 per cent of the mix. Ofgem, National Grid, others, assume it is more likely to be 40 per cent.

That has a very significant impact in terms of the likelihood of the UK attracting investment in new gas plant but, critically, in the amount we are going to have to import, whether that will be 48 per cent or whether it could be as high as 70 or 80 per cent. That knocks on in terms of gas storage. Are you comfortable with your forecast of 29 per cent coming from gas by 2020 or, in the light of other people outside saying it is going to be higher, are you going to revise it?

**Edward Miliband:** I am confident about the figures that we laid out in the Low Carbon Transition Plan. It does rely, Charles, you are right, on meeting the stretching targets on renewables and the nuclear timetable. Both of those are incredibly important, but I think you are missing the point, it seems to me, which is the importance, not just because we care about climate change but because we care about security of supply, of making progress on low carbon, and I think that is where we need to change the debate so that people understand that the thing that is right for security of supply is also the thing that is right in terms of low-carbon, and I think that is really about a mindset change among people. So, yes, we are confident about our forecast.

**Q97 Charles Hendry:** The final point goes back to an earlier exchange that we had when I was talking about the Generic Design Assessment, suggesting that phase three was delayed and phase four would be back on course. I have now got in front of me the Health and Safety Executive's progress report up until September, and they say, "In step three we increased our resources to match the increased detail, but as this took some time to achieve, we had to delay step three end date by six months." You said there was no delay in stage three. Can you comment on that and explain when a delay is not a delay?

**Edward Miliband:** I think what I would say is that the most important thing is that the GDA overall is on course to be achieved, and it is on course to be achieved. I am chairing the Nuclear Development Forum on 10 November; I chaired the last one earlier this year. I did not have it raised with me at that meeting, so I do not think it is material to the timetable that we have set out.

**Q98 Dr Whitehead:** Finally, in the context of progress and the timescale, are you keeping a close eye on the Olkiluoto reactor in Finland which, whilst being widely suggested as a blueprint for UK development, is two years behind schedule?

**Edward Miliband:** It is not a blueprint in terms of its construction timetable. The problem with that reactor illustrates the importance of things like the Generic Design Assessment. My understanding of the Finnish situation is that they did not do that work before hand, before the reactor was constructed, and the whole point of the GDA is to get all of these issues resolved before construction starts. It also happens to be the case, because I have

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<sup>2</sup> Note from the witness: "this figure is 18, not 80 as first transcribed"

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gone into this in some detail, that there were particular problems on the ground in relation to the management of the project, which we do not need to go into, but I think that we have designed our nuclear programme to precisely design out the kind of problems that we have seen in Finland.

**Q99 Paddy Tipping:** Simon, Phil, Moira, Secretary of State, thank you very much. We have covered a lot of ground; there are a lot of issues there, some of them really big issues. Thank you for what you are doing. You have achieved a lot; there is a lot to do.

**Edward Miliband:** Thank you very much.

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