

My contribution to the debate on the draft Electricity Capacity (Amendment etc.) (Coronavirus) Regulations, 15 June 2020 (edited)

I am very concerned about the regulation, its provenance and whether it will limit our freedom of manoeuvre in ways we do not wish from the beginning of next year. I hope we will be redesigning an energy policy that is fit for purpose to meet our three main priorities.

The Government have been very clear on their environmental priorities. They are not the subject of our debate today and I have no wish to go into them. The Government have always said that they have two other crucial priorities that matter a great deal as well.

One is to have good value power—power that people can afford in their homes and which can make us more competitive in industry and commerce—where I think we have room for improvement.

We also wish to pursue a policy of independence, so that we have resilience and reliability in our system. I therefore find it extremely worrying that we have responded to a state aid challenge upon us in the dying days of our membership of the single market, or its rules, when we are no longer a member of the European Union which sponsors it.

We are setting forward a trajectory that says we will increase our imported power from 4% to 9%, mainly from the continent of Europe—from the EU—as part of our defence against historic allegations concerning state aid. These claims would presumably go away from 1 January once we have left the European Union completely and once we legislate to make our own position clear.

Today's regulation is not well described in the explanatory note. If one reads the 80-page European Commission decision document, one can see exactly how thorough their investigation has been since 2014 of our capacity market, how detailed their intervention in it has been. The Government's response went to great lengths to try to conform to the EU's wish to redesign our capacity market in a way that they find acceptable. Their way is clearly designed to promote a much wider European integrated energy market.

Now, that may well make sense for neighbouring states close to each other on the continent—between Belgium, France and Germany. That is their choice and I have no problem with that. But as we are an island nation which used to be able to generate all its own power. I have some difficulties with EU control of that.

We have many great advantages to generate wind power, wave power, solar power, hydro power and other renewable power, as well as prodigious reserves

of other types of energy where the Government wish to gradually reduce or clean their use. There may well be clean ways of burning some of that carbon, with carbon sinks and so forth, which they will need and want to use.

It seems that the proposal today is from another age when we were gradually being linked into a continental system, which, incidentally, is a lot dirtier than our own system and has been really struggling to reduce its dependence on coal. It is also in a very weak strategic position of chronic dependence on Russian gas. The last thing we want to do as a country is connect ourselves to an ever bigger possible dependence on Russian gas via power generated on the continent when we have a wish to do our own thing.

It is a pity that the explanatory note does not mention the phrase "state aid" or explain up front that the regulations arise because of a state aid case. It refers to "Commission Decision SA.35980". Those who follow these things know that "SA" stands for "state aid", but it is not as clear and transparent as it might be.

The average Member of this House probably does not follow those matters in that much detail and is not aware that we are being asked today to pass legislation because of a state aid infringement that goes all the way back in allegation to 2014. We ran that market relatively successfully from 2014 to 2018, it was suspended from 2018 until the end of last year, and now there has obviously been some sort of deal to get it up and running again.

The explanatory note states:

"Part 1 amends the description of a DSR CMU to clarify that a DSR CMU cannot provide capacity primarily by using a storage facility which reduces its import of electricity".

Is not that interesting? First, we have to translate it. "DSR CMU" is the process that the shadow Minister was telling us about. One of the responses to a capacity market auction is to bid in an offer to buy less power than otherwise would have been bought as another way of contributing to the stability and resilience of the system rather than offering to provide more power for those who want to buy it.

It is curious that the proposal is linked to any proposal that might reduce the import of electricity in the way that it does. That adds to my worries about the nature of this EU policy and intervention against the broader background of the EU's trying to create a comprehensive European energy market with us fully linked into it.

The shadow Minister said that perhaps we were found to have acted illegally. The Commission is clear that that was the case for the period 2014 to 2018. It states that in its view the UK unlawfully implemented the capacity market in breach of article 108.3 of the treaty provisions on state aid. It has now come up with a form of words at the end of its decision that says that if we do those sort of things, it will see its way to believing that we are now compliant.

I do not suppose that the House has the appetite for a serious debate about any of that today and I understand that we are considering a statutory instrument, not our wider energy policy, but we should not let this go without some things being said.

First, the regulations are the direct result of the most enormous intervention and intrusion into British energy policy and I hope that from 1 January next year, we will proudly set out our own energy policy and not need that sort of intervention. Secondly, the thrust of the policy was to make us more dependent on a European energy provision system that is neither secure nor particularly green. I strongly repeat that dragging us into more reliance on Russian gas is the last thing we want.

Craig Mackinlay (South Thanet) (Con): My right hon. Friend made a point about EU energy not being particularly green. Does he share my concern that we pat ourselves on the back and say we have burnt no coal or had no electricity derived from coal over 30 or 60 days, yet much interconnector electricity has been manufactured by those dirty forms of energy that we are trying to get out of our market in the UK?

Sir John Redwood: That is exactly right. People like to claim that we are importing nuclear energy from France, for example, but we are importing European energy in a pretty unified system, which has surplus capacity because it has not only French nuclear but an awful lot of dirty coal, Russian gas and so forth, which should cause us concern.

Thirdly, can we in future have an honest and clear explanation so that more Members of Parliament might understand what is going on and think it is a matter of some concern? I do not think that most of our colleagues realise that we are talking about resilience—our ability to keep the lights on in difficult conditions that might arise in future.

We are talking about the pricing of electricity and these very big strategic issues. And finally, we are talking about whether this country is now going to have its own energy policy, or whether we are hastily legislating so that we can, for the foreseeable future, still be effectively under EU state aid rules, edging ever closer to integration with EU energy policy.