

# Inquiry Response

Wednesday 18<sup>th</sup> August 2021



## Net Zero Governance

*Business, Energy and Industrial Strategy Committee*

The Energy and Utilities Alliance (EUA) provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has seven organisational divisions - Utility Networks, the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Manufacturers of Equipment for Heat Networks Association, the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convectors (MARC) and the Gas Vehicles Network (GVN).

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### 1. What are the key requirements for a governance structure that can deliver cross-Government climate action at the pace, scale and over the duration required to meet the carbon budgets and the 2050 net zero target?

Our members are not explicitly asking for new governance structures. Business wants some level of certainty where that is realistic and deliverable. They want the heat and building strategy to be released with a clear roadmap. They want the policies to be outlined clearly and for the Treasury to not change their mind later. They especially don't appreciate policies being developed through the press.

Our members are clear that governance is not the problem, what is needed is for decision making to be agreed by Government before details are leaked or given to business. The mixed messages and delays are the real cause for concern.

However, government should adopt a whole-systems, cross-departmental approach to policymaking with buy in from all departments, it may be desirable to have some form of net zero test on all new policies, though thought would be needed for policies that will have no bearing on climate change. We don't want to add unnecessary extra burdens on policy making.

This could also be expanded to local government; however, they would need the funding and training to ensure they have the resources needed to comply with this. Currently there is a lack of both, and so local authorities are often unable to apply climate polices.

If a new governance structure were put in place, it could be to help bridge the gap between central and local, trying to ensure consistency and fairness of net zero policy delivery. So, the new body would help identify areas with low delivery rates, identify why and help allocate resources and training.

Where we would be concerned around governance is if a new body were to determine the 'right' approach or 'right' delivery mechanism. This would hand control of energy policy to this new

body, removing democratic mandate and creating a new unaccountable body that may not operate in a way that is fair or proportional.

We have seen in the smart meter roll out that the role of governance bodies has seriously hampered delivery of what is a simple and vital product. No one should object to a smart meter, but through poor governance and administrative blockages the roll out has been a serious disappointment. We fear that without clear guidelines and boundaries any net zero governance body could slow down delivery rather than accelerate.

One role a governance body could have is to equip individuals with the skills needed to enter the new industries that will be required for net zero and to improve the numbers for existing net zero industries, many of which has problems with recruiting new staff. Coordination of training course developments could be a key role, along with certification and accreditation. It remains important though that any skills mandating come from government and are not generated by the governance body as this would be a democratic deficit.

We do not believe the governance body should be responsible for communications to the public. We have seen with the smart meter roll out that the work by Smart Energy GB has not improved take up and has led to increased costs. Often these bodies can make progress slower. It has been found repeatedly in surveys that the government is the most trusted body for messages. Creating a new body, building public awareness and then trust will take too long and will cost too much money. We have finite of both and we need to deliver net zero now not wait for a new body to get their communications strategy ready.

We would also be concerned if a new body became responsible for street-by-street deliveries. A system-led approach will involve existing networks. They can already deliver street by street deployment of low carbon technology i.e. hydrogen boilers. A regional approach will ignore the existing housing stock and what solution is the best fit for individual homes and businesses. We need to avoid top-down diktats and engagement with organisations already delivering.

**a) Are the Government's existing net zero governance structures effective in this role, both in terms of coordination across Whitehall, and coordination with the devolved administrations and local and regional authorities?**

The governance structure is clear in the UK's targets. We have clear and unambiguous targets. The CCC report annually on progress. The targets are also legally binding.

**b) What alternative governance structures could be established to coordinate and deliver cross-Government action on climate change more effectively?**

More governance structures are not required due to the added red tape and complexity they will bring. More effective action requires more consistent leadership from the top of Government. Though as said previously an alternative structure could assist with local delivery deficits and gaps in training.

c) What metrics should the Government use to measure their progress towards net zero?'

Continue to use the CCC and their progress reporting.

2. What governance structures would enable HM Treasury to give greater priority to the net zero target and the carbon budgets in its financial and economic decisions?

a) How could HMT better ensure that spending decisions contribute to achieving net zero in the long term?

Again, this is already enshrined through are commitments in law to the climate act and the need to reach net zero, as agreed by parliament.

3. What signals and support does business need from the Government in order to deliver cross-economy decarbonisation in line with the carbon budgets and the net zero target? What delivery function should Government provide itself and are relevant regulatory bodies mandated and resourced effectively to deliver on Government priorities?

a) How do policy and regulatory signals and support vary between Government Departments (and how have they varied over time)? How is this affecting business activity on climate change?

b) Should Ofgem play a greater role in delivering on net zero and, if so, what changes are required to deliver this?

Business just want decisions that are made and publicly presented to be consistent and not altered at a later date. At the moment, the delay in publishing clear policies for decarbonisation are delaying action on product development and research and development. Businesses would like government departments to ensure they have treasury and N.10 backing for all policies before they start to communicate them to businesses.

Ofgem should not have a role in delivering net zero. They are an agency to deliver the energy policies as outlined by the Government. If that becomes blurred, then businesses will be unsure which department is responsible for policymaking. This can be a bigger problem with regards to Ofgem as they currently do not claim to be responsible for policy development and so their decisions are hard to challenge.