

House of Commons Public Bill Committee: Call for evidence on the Great British Energy (GBE) Bill Response submitted by the Centre for Energy Policy

ABOUT THE CENTRE FOR ENERGY POLICY

Established in 2014 and based at the University of Strathclyde, the Centre for Energy Policy (CEP) works with government, industry and other partners to understand and address the pressing public policy challenge of ensuring transitions to net zero deliver sustainable and more equitable prosperity. Over the last decade, CEP's research has helped shape UK and Scottish Government policy across the areas of industrial decarbonisation, energy efficiency, low carbon heating and transport and energy infrastructure. Find out more about our work at: <https://www.strath.ac.uk/humanities/centreforeenergypolicy/>

RESPONSE

This response addresses clauses 1-8 of the GBE Bill, providing relevant reflections that draw on insights and analysis from CEP's peer-reviewed evidence base.

1. Clause 1: Great British Energy and Clause 2: Crown status

CEP welcomes the UK Government's announcement on establishing GBE as an independent limited company, wholly-owned by the Crown and as set out in *Clauses 1 and 2*. We believe that GBE will have an important role to play in accelerating progress on affordable decarbonisation which is a pressing challenge given that the UK is currently not on track to meet its ambitions, as highlighted by the Climate Change Committee.¹ CEP's research² has consistently shown that the transition to net zero could generate multiple economic benefits but industry and investors require long-term commitments and certainty, and GBE offers some of the right signals in this regard.

2. Clause 3: Objects

In *Clause 3: Objects* the GBE Bill requires GBE to ensure that its articles of association contain a statement of its objects of which there are four currently listed: the production, distribution, storage and supply of clean energy; the reduction of greenhouse gas emissions from energy produced from fossil fuels; improvements in energy efficiency, and measures for ensuring the security of the supply of energy.

However, it is important that these objects fully reflect the purpose of GBE, which in the founding statement set out by the Secretary of State includes the creation of jobs and ensuring that 'UK taxpayers, billpayers and communities reap the benefits of clean, secure, home-grown energy'.³

Our research consistently demonstrates that the fair distribution of benefits including jobs (retention, transition and creation) and energy affordability are key considerations if the transition to net zero is to deliver sustainable and equitable prosperity, and broad consensus

¹ <https://www.theccc.org.uk/publication/progress-in-reducing-emissions-2024-report-to-parliament/>

² <https://www.strath.ac.uk/humanities/centreforeenergypolicy/ourpublications/>

³ <https://www.gov.uk/government/publications/introducing-great-british-energy/great-british-energy-founding-statement#what-is-great-british-energy>

is to build and be sustained around it.^{4 5 6} For example, by scaling up and ensuring renewable electricity production continues to decrease in price, supporting the adoption of heat pumps and the electrification of heat, making these systems more cost-effective with the potential to also help tackle fuel poverty and support jobs.⁷

Thus, we would argue that ensuring the benefits of affordability and job retention, transition and creation in relation to UK taxpayers, billpayers and communities needs to be reflected in the objects as stated in the GBE bill. Thereby making them consistent with the purpose for GBE set out by the UK Government in the founding statement.

4. Clause 4: Financial assistance

The provisions of *Clause 4* would seem sensible and in line with GBE's purpose as a nationally owned energy company, which will allow it to borrow at lower costs, access windfall taxes, general taxation or other routes that are not open to private industry. Also, providing critical certainty to industry and investors, potentially reducing the cost of capital of energy projects and ultimately the cost to consumers.^{8 9}

However, more detail is needed on how GBE will work with the private sector to leverage the estimated £60 billion of additional private investment and what the impacts may be on taxpayers, households and businesses.

Our research continually underscores the need to understand and act on the central questions of 'who pays for net zero, how and when', decisions around which will have important consequences for the wider economy, businesses and households.¹⁰

While these considerations perhaps fall outside the remit of the bill, they are central, and *Clause 4* could reflect a commitment to take them on board. Specifically, in terms of justifying choices the Secretary of State makes around the type of financial assistance provided and basing them on an understanding of their wider economy impacts.

5. Clause 5: Strategic priorities and plans, Clause 6: Directions 19 and Clause 7: Annual accounts and report

5.1 *Clause 5* on strategic priorities and plans is important, not least as it outlines a commitment to consult with devolved nations, which will be critical to effective policy coordination and ensuring that the benefits of GBE are fairly distributed, particularly in those communities, for instance Scotland, where energy developments will be located. An aspect that has been lacking to date in energy and net zero policy making.^{11 12 13} The consultation process outlined in the bill must be meaningful and continuous, and a mechanism established to ensure this. This also relates to *Clause 6* that requires the Secretary of State when giving directions to GBE to 'consult with such other persons as the Secretary of State considers appropriate'. A clear statement of strategic priorities and plans is also important as a signal to the private sector, which GBE activity will need to 'crowd in' in order to meet its

⁴ <https://journals.sagepub.com/doi/full/10.1177/0269094220984742>

⁵ <https://strathprints.strath.ac.uk/89478/>

⁶ <https://www.strath.ac.uk/humanities/centreforeenergypolicy/newsblogs/2024/generalelection2024/>

⁷ <https://strathprints.strath.ac.uk/86820/>

⁸ <https://theconversation.com/what-labours-great-british-energy-cant-do-231962>

⁹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4824236

¹⁰ <https://strathprints.strath.ac.uk/87969/>

¹¹ <https://strathprints.strath.ac.uk/85444/>

¹² <https://strathprints.strath.ac.uk/86341/>

¹³ <https://www.strath.ac.uk/humanities/centreforeenergypolicy/newsblogs/2024/gbenergyannouncement/>

stated objectives. Policy certainty through clear statements of priorities, that are robust to politics and political change, and clearly visible from Secretary of State, through to the actions of GBE on the ground will assist the decision-making of private sector stakeholders.

5.2 Conclusions from our research also highlight that consistency in target and priority setting is critical, not least to offer certainty and confidence to investors.¹⁴ Thus, we would argue that any changes to strategic plans (*Clause 5*) and directions (*Clause 6*) are fully justified and reported as part of the annual accounts and reporting process (*Clause 7*). The need for this justification and reporting requirement could be reflected in the wording of the bill.

6. Clause 8: Extent, Commencement and Short Title

The Bill extends to England and Wales, Scotland and Northern Ireland.

The Bill will come into force on the day on which the Act is passed. ²⁶ The short title of the Act resulting from the Bill will be the Great British Energy Act 2024.

6.1 We welcome the scope, timeline and title of the bill.

¹⁴ <https://strathprints.strath.ac.uk/89478/>