From Tim Yeo MP, Chair

Rt Hon Edward Davey MP
Secretary of State
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

17 November 2014

Levy Control Framework and DECC's consumer funded policies report

The Committee has asked me to write to you regarding the Levy Control Framework (LCF) and DECC's consumer funded policies report. We recently noted the Government's publication (at Annex A to the Annual Energy Statement) of spending and outcomes under programmes funded through the Levy Control Framework, as well as the publication of net impacts of policies on consumer bills in the separate Prices and Bills report. In the light of our LCF report recommendations, it was helpful that these two documents were published at the same time.

There are a few questions we have with regard to the detail published in your report and I would be grateful if you would respond to us in writing on the following issues:

- We have noted that Table 2 (Annex A to the Annual Energy Statement) shows an apparent over-commitment of the Levy Control Framework envelope for 2016-17, with relatively small amounts remaining in many of the other years. We are concerned that the LCF appears to be so heavily committed so many years ahead. What flexibility exists to ensure that the limits are not exceeded going forward? And, what would happen if the current limits set were exceeded?

- We are unclear to what extent the past years' figures published in Table 1, and elsewhere within the text of Annex A to the Annual Energy Statement, have been independently audited or assured. Can you explain what has been assured, by whom, and to what standard?

Cont'd...
• There is no clear overall appraisal of the relationship between the Levy Control Framework to overall policy targets. Can you provide one in your response to us? And, will such an appraisal be provided in future annual reports on DECC’s consumer funded policies?

• We remain concerned about the lack of clarity on levy-funded schemes beyond 2020/21, and the impact this may be having on investor decisions. To what extent do you see this affecting investor decisions? And, when will the Government provided further information on what the LCF will look like beyond 2021?

You will also have seen the Chair of the Liaison Committee’s recent letter to the Chief Secretary to the Treasury concerning future arrangements for Parliamentary consideration of this tax and spending. Now that the figures are published in one document we hope that the Government can look again at what arrangements can be made for Parliamentary oversight of this taxation and spending and propose a suitable solution that meets the Committee’s concerns.

I welcome your commitment to continue engaging with us on how the content of the consumer funded policies report could evolve in future years. In the first instance perhaps your officials could contact our Committee staff and colleagues in the Scrutiny Unit to discuss these matters in more detail.

I am copying this letter to the Chair of the Liaison Committee and to the Chief Secretary to the Treasury. We may wish to publish this letter and your response to it.

Tim Yeo
Chair, Energy and Climate Change Committee