Levy Control Framework and DECC’s consumer funded policies report

Thank you for your letter of 25 November, responding to the Committee’s queries about the Levy Control Framework and DECC’s consumer funded policies. We thought it would be helpful to respond briefly to the points which you have made in your letter.

- You have assured us that there is no over-commitment of the Levy Control Framework in 2016-17, because not all of the Contracts for Difference (CfD) budget announced will actually be allocated, and there is flexibility around the levy limit. The figures in the final line of Table 2 of the Annex D to the Energy Statement showing the CfD budget announced to date are not therefore your actual expectations of spend. From discussions between officials, we understand that the timing of the contract letting process makes it difficult to publish actual forecasts of CfD spending forecasts at the present time, but that you would be able to give updates to the Committee of actual likely spending on CfD once the contracts are awarded in 2015. We would be grateful therefore if you could arrange for this Committee – and its successor Committee after the election – to be updated with forecasts of CfD spending in the light of the contract awards as soon as possible after these take place next year.

- We note also what you say about audit arrangements and the timing considerations. We look forward to hearing the outcome of your discussions with NAO. In the future, it would be helpful to clearly indicate within the Energy Statement which figures have still to be audited when they are published.

Cont’d…
• On the appraisal of the relationship between the Levy Control Framework and policy targets, Committee staff and the Scrutiny unit have met with your officials to discuss this further and I hope that this engagement will continue. For the Levy Control Framework, we would like to see a single short section of a future Energy Statement clearly summarising the outcome and achievements of the LCF against its policy targets and available funds, perhaps illustrated with a chart or other graphic. This short overall assessment should be freestanding (i.e. capable of being read on its own) although further detail could still be provided for those interested in finding out more. Fundamentally, what we will be looking for is some form of overall appraisal of how the objectives set for the Levy Control Framework are being met, against the costs involved. At present it seems difficult (contrary to the indications given in bullet point 4 of your letter) to reconcile the Government’s statements of the amounts of investment needed in total (£100 billion between 2014 and 2020), with the legally binding EU renewable deployment targets for 2020, current renewables levels and the amount of funding available within the LCF for renewables. We would welcome a clearer presentation of how the LCF funding contributes to the renewables targets, showing the total investment in renewables (through the LCF and otherwise) and total investment in generation as a whole on comparable bases.

• We note your comments about longer-term commitments. As you say there are legally binding targets to reduce carbon emissions, and there is clearly further work to do to identify how the fourth carbon budget targets are to be met, illustrated in the projections for UK carbon emissions included in the Energy Statement (Figure 9). Investors will also require medium- and long-term certainty for their investments. We look forward to hearing further details of how you intend to meet these targets in the future and details of further significant funding commitments when they are known.

• Finally we should add that the Committee found it helpful that this year the Energy Statement and Prices and Bills report were published at the same time. We hope that the Government is able to maintain this arrangement in the future.

Tim Yeo
Chair, Energy and Climate Change Committee