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Inquiry on

REVIEW OF THE BALANCE OF COMPETENCES
AND THE PRE-EUROPEAN COUNCIL MEETING

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Witnesses: Rt Hon David Lidington MP, Mr Richard Crowder and Mr Vijay Rangarajan

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Members present

Lord Boswell of Aynho (Chairman)
Earl of Caithness
Lord Cameron of Dillington
Lord Foulkes of Cumnock
Lord Harrison
Baroness Henig
Lord Kerr of Kinlochard
Lord Macleanan of Rogart
Baroness O’Cathain
Baroness Parminter
Baroness Prashar
Baroness Quin
Baroness Scott of Needham Market
Lord Tomlinson
Lord Tugendhat
Lord Wilson of Tillyorn

Examination of Witnesses

Rt Hon David Lidington MP, Minister for Europe, FCO, Mr Richard Crowder, Head, Future of Europe Department, FCO, and Mr Vijay Rangarajan, Europe Director, FCO

Q1 The Chairman: Good afternoon, Minister. Welcome to yet another public session. We are in between deliberative sessions of the European Union Committee. You of all people have been assiduous in your attendance at this Committee, and we are grateful for that. We are particularly grateful that you have come this afternoon to answer questions with a view to our interest in the balance of competences review—the documents are set out in front of us—and, as it were, as a taster for the upcoming European Council. You will be entirely familiar with the rules of engagement on these occasions. This is a public session of which we will be taking a webcast and a record, which we will offer to you. I make that point only for others in the public gallery. I suggest, not least because of the constraints of time and, as you will be aware, of our rather full agenda, we invite you to go straight into the first question, which I will pose, and perhaps introduce your team, who again, I think, are familiar to many of us, as part of that response.

First, can you give us an assessment of the conduct of the balance of competences review as a whole against the original framework set up by the Foreign Secretary in the White Paper of 2012? Are there any gaps? Is there anything that you might feel on reflection has been left out?
Rt Hon David Lidington MP: Thank you Lord Chairman. I am supported this afternoon by Mr Vijay Rangarajan, Europe Director at the Foreign Office, on my left, and by Mr Richard Crowder, Head of the Future of Europe Department in the FCO, on my right.

The review succeeded pretty well in delivering within what William Hague when Foreign Secretary announced as the parameters. We set out to provide an evidence-based and comprehensive analysis of how our membership of the European Union was having an impact on all aspects of policy for which the United Kingdom Government are responsible. This was discussed at length within the Government before we announced the terms of the review, and we decided that we would not seek to present conclusions and recommendations that went beyond agreed coalition government policy—the risk with doing that is that you end up either with a long shopping list which some Ministers might agree with and others do not agree with, or with the lowest common denominator of the things that everybody is happy with—in order to do justice to the range of evidence and points of view that were submitted to us. So we decided from the start that this would be evidence-based, that we would publish all the evidence, that this would be transparent and that there would be no hiding of points of view or information given to us. I think we gave business and NGOs in Britain a safe space within which to make clear their views about the good and bad aspects of EU membership without being overtly partisan in party political terms. I think it was successful on that score.

We have had a debate on the review that grounded down into our knowledge of the facts, and whether with officialdom, think tanks or political parties of all stripes there is now an available body of evidence on which people can draw in some confidence in framing their policy approaches for the future. I think that as a result of the review we now have a more informed debate than before about our membership of the EU that is carried on at the level of think tanks, opinion formers, trade organisations and the like. I do not say that this review and its outcome are the subject of everyday conversation in the pubs, but I think that at the level of people who spend time reflecting on European policies this has had a significant impact.

Any gaps? Having read all 32 of the reports, I am tempted to say very firmly, “No, we couldn’t have done any more”. I am trying to think of anything obvious. With the benefit of hindsight, I would say that there was possibly a gap in relation to inter-institutional relationships. In various of the reports, one of the themes that comes through is the interplay between Commission, Council, Parliament and court and the relative power that
each institution is able to exercise. How those powers evolve as a result both of treaty changes and of court jurisprudence over the years is an aspect that is immanent in many of the reports, which perhaps if I was doing this again I would say we might have sought to draw out in a separate volume in its own right. It is certainly an issue that is talked quite a lot about at my level among my ministerial counterparts at the moment.

The Chairman: Thank you for that. That is most helpful. I suppose I ought to declare an interest. I am not sure how many people in the room have read every word. You have admitted to doing so, and I am another sad person who has read every word. What you said has been very interesting. Would you perhaps add to the benefits of that analysis that you perhaps regret you have not mentioned, as well as the possibility inter-institutionally of looking at understandings, as it were, at the political level—which may be relevant for example to another report of ours—of issues such as the power of national Parliaments, for example?

Rt Hon David Lidington MP: Yes. Those are certainly questions that are of benefit anyway. The balance of competences exercise is concluded, and I do not, I hasten to say, propose to reopen it, but we would be right as politicians to continue to give attention to the discussion both about formal relationships between EU institutions and national parliaments and the informal understandings, the political culture, that oil the machinery of institutional relationships.

Q2 Baroness Quin: When the review was launched, an overall analysis was promised of the review’s findings at the conclusion of the court semester. Has there been an analysis to draw the findings together?

Rt Hon David Lidington MP: In fairness, we said at the time in the Command Paper that accompanied the launch of the review that a final decision on whether to publish a concluding summary volume would be taken closer to the time: “A final decision will be taken closer to the time on how best to draw together the analysis produced during the review, in the light of the EU’s rapidly changing situation”. We took the view at the end of the day that the 32 reports all stood on their own merits. They were each crafted to try to present a balance of what in some of the reports in particular was a pretty wide spectrum of opinion and evidence. The risk in trying to distil all this into a single concluding summary volume is that you would inevitably have to leave out important aspects of what came up in evidence in particular reports, and that would have added to the risk of particular points in that summary volume being taken out of context. I preferred in the end, along with my
colleagues, to leave this as it was with the 32 reports, each with an executive summary, each speaking for themselves, and evidence published in support of those reports.

**Baroness Quin:** In the absence of a published analysis, do you have a feeling of what the overall outcome of this has been? Obviously, there have been impressive reports from a number of different departments, but do you have a sense of the overall outcome?

**Rt Hon David Lidington MP:** I can draw out some themes that I think come through. One was the one I mentioned earlier in response to the Chairman’s question, which is how institutional relationships and powers have changed over the years. Looking back at various reports, one theme is how the jurisprudence of the court has had a very significant impact in particular policy areas. There are one or two reports where people presenting evidence said, “We had believed that a directive meant this, but then we had a court judgment that interpreted the law in a more ambitious fashion and that has caused us these problems”.

Another issue that came through very strongly from most of the business representatives was the need for a broadened, deeper single market—a recognition of the benefit to the United Kingdom of participation in the single market but coupled with some concern about legislation that was at times overprescriptive and did not allow sufficient margin for the individual practices and traditions of member states and ways of organising business within particular member states. In some of the reports, the tension with which we are familiar in our domestic affairs between producer and consumer interests came through. We had a specific report on subsidiarity and proportionality, as the Committee will know. That was deliberately cross-cutting in nature, and perhaps drew together a number of themes that were in quite a number of the specific subject reports.

**Q3 Lord Macclennan of Rogart:** Minister, the people who are directly affected by the balance of competences will no doubt read the documents and the volumes that are relevant to them, but they do not cross to the general public, who are going to be asked, if your party is successful, to say yes or no to the European Union. It is going to be very difficult for them to assimilate what has been said. I wonder whether it is too late even now to come to a decision about what the most important issues are that have been raised.

**Rt Hon David Lidington MP:** The organisations—political parties and others—that are likely to play an active role in any referendum campaign will certainly have studied the reports and will be working out which items of evidence and which arguments are most likely to support the case that they wish to make to the British people. I do not think, frankly, that it would have worked for the Government to try to produce an easy-to-read
tabloid version of the balance of competences. Almost inevitably, I think we would have been at risk of oversimplifying the sometimes rather subtle messages that come through and the differences between the opinions in the evidence submitted to us. There would have been a great deal of “on the one hand, and on the other”. No political party has cracked the secret of writing a manifesto that attracts a mass public circulation and readership. I have never thought that the balance of competences reports were going to be Harry Potter, but I do think they have been taken very seriously by think tanks, campaign groups, business representative organisations, NGOs and, indeed, European institutions and other European Governments. That means that the whole debate starts on a more informed basis than was previously possible.

Baroness O’Cat\[hain: Very briefly, did this whole schedule of reports meet your wish at the beginning of it all? Do you think we have lost out? Is it even better, or is it what you expected? Frankly, although you have just listed all these people who see the reports, such as think tanks and business representatives, I am sure that business representatives do not have the time to read through all that. The reality is that it is in language that is difficult, and although you are saying that nobody would do a digest, it is very important, once the whole election is over, that the Foreign Office and the Government—whoever they may be, of whatever colour—put their minds not to saying, “Vote this way or that way” but just to telling the public what Europe is all about, because they do not know.

Rt Hon David Lidington MP: Every report has an executive summary, and those summaries provide a more readable account than ploughing through the whole report. So those are available to people. Was it everything I had hoped for? If I look back at some of the difficulties we experienced, it was tough to get a consumer voice for some of the reports. This will not surprise anybody, but by definition consumers tend not to be organised in the way the business sector is. It was more difficult to get small business than big business. Again, I do not think there is anything new about that. We made a big effort with organisations such as the Federation of Small Businesses to get them to contribute. Some small and medium-sized businesses came forward when we were addressing a sector and certain problems that mattered a great deal to them. There were some areas where I felt that it would have been nice if we had had more representation of that particular perspective, but we have to deal with the evidence presented to us. My instructions to officials were always that we needed to make every effort, where we felt that a perspective
that we knew to exist was not being taken account of, to find a way of seeking out that point of view to make sure that the report was representative.

**Q4 Lord Tugendhat:** I think, Chairman, that this question has already been covered to a large extent. I was going to ask the Minister how he believes the Government are going to use the reports to inform their own policies in future.

**Rt Hon David Lidington MP:** To a considerable extent, that is a matter for individual departments, but we are collectively encouraging all departments to use the reports to help develop and inform their thinking on present government policy but also to substantiate the Government's declared policies in Europe and to develop new ideas from external sources. We have, as a result of the review, enabled various parts of government to establish new channels of communication with organisations with which they had not been terribly familiar before. That will widen government access to information from outside sources. I will give one specific example of how we have drawn on reports. The United Kingdom's paper on the digital single market, which we released in January this year—and which, without boasting too much, has had a very good reception in Brussels and in national capitals—drew very heavily on the basis of evidence from the review, particularly when it came to an assessment of the impact on consumers of greater integration of the digital sector at EU level. I know that officials in my department, when they come to a European brief for the first time, are given copies of the relevant reports and that is part of their introductory reading. I do not know if Vijay wants to add anything more to that. We are seeing this in a number of government departments; it is becoming part of the official training course.

**Mr Vijay Rangarajan:** Yes, many departments are using this as part of their induction material for new staff. We are also seeing some other Governments around the EU using the balance of competences reports as a good explanation, particularly the initial sections, which set out the sometimes very complicated legal basis for different parts of the competences and summarise what is now quite a complicated acquis in many areas. Finally, these are being read quite heavily inside the Commission and we can see some elements of this in the recent legislative packages, for example on energy union and, as the Minister said, definitely on the digital single market. Some of the detail there has been churned through quite heavily by officials, including the European Parliament, as well.

**Lord Tugendhat:** In the event that there is a Conservative Government after the election, do you think that our partners in the EU would be wise to study these reports with a view
to getting a fix on what the negotiating position of the UK Government is going to be, or would you advise them against that exercise?

**Rt Hon David Lidington MP:** I would advise them to read the reports, because the reports will be worth studying, whichever Government are elected on 7 May this year. The review was a coalition exercise. Both Conservative and Liberal Democrat Ministers were involved at all stages. Yes, there is a lot here that a re-elected Conservative-led Government would want to see as part of their negotiation agenda. The Prime Minister has often spoken about the importance of deepening the single market, particularly on digital and services, and of smarter, less costly regulation of business. Those themes come across very powerfully in a number of volumes. We have tried to be fair to all points of view. I recall looking at the report that dealt in one chapter with the working time directive, and although it did not necessarily accord with my personal political views, we represented fairly, I think, the trade union movement’s views of that directive and of other elements of employment legislation. We tried very hard to make sure that the full spectrum of opinion was given fair representation.

**The Chairman:** Thank you. We will move to a slightly different area. Lord Foulkes.

**Q5 Lord Foulkes of Cumnock:** Minister, you mentioned earlier the importance of transparency in this exercise. In that spirit, can you tell us what the projected budget was at the start of the exercise and the expected outcome of the costs?

**Rt Hon David Lidington MP:** We told all government departments that they had to meet the costs of the review from within their existing budgets. There was no additional provision to any department for this. Therefore they needed to do it in the most cost-effective manner possible. I think the Committee will have seen the Answers from various departments to Written Questions that were tabled about the costs of the review. It is genuinely difficult to give a detailed estimate for each department, partly because different departments went about this in a different way. Some used a dedicated team. The Foreign Office had a small dedicated team to co-ordinate the work, both in the FCO and across Whitehall, as we had the overall lead responsibility. Some had people who took on a review responsibility in addition to what they were already going, so this was simply something that they had to fit into their normal working hours without any reduction in their other responsibilities. When it came to what we called engagement events—the seminars, discussion groups and so on—we tried to take advantage of existing opportunities, so we looked to see whether there was a meeting or gathering already taking place that we could
turn into a discussion about the review. We did them jointly between departments. I probably could dig out some figures on the cost of the central unit in the Foreign Office. What I cannot give is an accurate picture of how every part of the FCO was involved in this.

**Lord Foulkes of Cumnock:** Can I help you, Minister? With respect, you have not answered the question. If we take staff as a cost, whichever way you do it, with your existing staff you know their salaries, you know their timetabling. Defra estimated that it would cost £500,000 to produce four reports: that is staff costs alone. Overall, 32 reports were produced and our officials project that to be £4 million of staff costs. Is that a reasonable estimate?

**Rt Hon David Lidington MP:** The staff were going to be employed whether or not the review took place, so there was no additional cost of carrying out the review. Defra calculated its costs in a particular way. I looked at the Foreign Office figures and we did not keep a record of which official in which team might have been asked to look at a particular passage in any one of the 32 reports to check it off. I would certainly argue, Lord Foulkes, that it would not be a sensible or proportionate use of resources to have time sheets for the departmental officials.

**Lord Foulkes of Cumnock:** Let me try something else—an easier one. Defra produced four reports and it cost £130,000 to print them; that is £32,500 per report. The Committee Office prints between 35 and 40 reports every year at a total cost of £40,000. That is a huge printing cost. Can you give me the total cost of printing all the reports? That must be easily available.

**Rt Hon David Lidington MP:** The figure I have for Defra’s printing costs is £13,000.

**Lord Foulkes of Cumnock:** It says £130,000.

**Rt Hon David Lidington MP:** No, I think there is a decimal point out of place. Richard, do you want to respond to that?

**Mr Richard Crowder:** I understand that the figure was incorrectly transcribed and it has now been corrected.

**Lord Foulkes of Cumnock:** Okay, let us take BIS. BIS produced eight reports at £8,000 per report. That is still a large cost. What is the total cost of printing all the reports? That is not a difficult question.

**Rt Hon David Lidington MP:** It has been up to each one. The figure I have for printing in total is £257,000. That is across Whitehall.
Lord Foulkes of Cumnock: How can you decide whether this has been a worthwhile exercise if you do not really know the total cost of the whole exercise?

Rt Hon David Lidington MP: Because the value of the exercise is in the way in which it provides for better policymaking, both now and in the future, for the United Kingdom by enabling this country to secure its objectives in Europe based on very clear analysis and evidence about the interests of British business and other important interests in British society. That seems a perfectly proper use of Civil Service resources.

Lord Foulkes of Cumnock: But you have taken officials away. Let us take the Department for Transport—we have had dreadful experiences in franchising. If you take other departments, there have been all sorts of criticisms. They could have been more effectively used carrying on the normal work of the department, could they not?

Rt Hon David Lidington MP: No, I do not agree. It is obviously a matter for each department to decide exactly what resources it devotes to the reports that were commissioned, which after all was a commitment in the coalition programme. One could make an argument that wherever something has not gone completely right in any department, that demonstrates that some other area of activity ought to be reduced. I genuinely do not think that is a persuasive line of argument. If one looks, for example, at the digital single market, which I referred to earlier, and the significant commercial advantage that this country would stand to gain, one can see that the review has enabled us to present that case on the basis of better information, or persuasive evidence, in language that will persuade our partners, than would have been the case without the review, and I think that provides a very powerful argument on its own.

The Chairman: Minister, we will not necessarily get to the bottom of that fully and, as you know, the Committee has it under consideration. I think I can summarise your response as saying that whatever the actual cost was, the exercise gave value for money in informing policy. In return, I would like you to reflect on two things connected with the offer to provide further information. One is in relation to your own department. The answer given by your colleague to us on 26 February was a little reticent, particularly as you said there was a dedicated team, on the full breakdown of staff time costs, which you said would exceed the disproportionate cost threshold. Clearly, if there are people assigned to things, they are not doing other things. On reflection, if you can give us any further information you feel you can, that will be helpful to have.
The second point relates to the alleged mistranscription. I think it would be worth you and your colleagues looking at the quality control of this to see whether you are satisfied across the exercise that all the Written Answers are now lined up and accurate, because it occurs to me, although I appreciate that it is not your department directly, that if one has been mistranscribed, as far as I know, it has not yet been notified to us by the colleagues who answered us. It is important that the record is set straight on that.

**Rt Hon David Lidington MP:** We will certainly look into that.

**The Chairman:** Thank you very much. Lord Kerr?

**Lord Kerr of Kinlochard:** I just wanted to put one question to the Minister. Our research has established that no department spent any money at all on publicity for these reports. If the aim of the exercise was to inform public debate, do you find it at all surprising that these reports dropped like stones into a deep, deep pool?

**Rt Hon David Lidington MP:** First, I do not accept the description that Lord Kerr gives, because I think they have had a significant impact upon those whom we were seeking to influence: namely, think tanks, other national Governments, EU institutions, NGOs and business organisations in this country and outside. We used free, particularly digital, means of communication. We used social media and email to make sure that the reports were available to those at whom they were being targeted. The absence of glossy publications and high-profile launch events and so on has not stopped Commissioners, senior Commission officials, Ministers and officials in other Governments, and business organisations in other European countries from reading them and telling us that they have found them extremely valuable.

**Q6 Lord Wilson of Tillyorn:** Minister, obviously a huge amount of work was done, but there is that strange figure that nobody spent any money on publicity. You referred to, as it were, opportunistic attempts to pick up meetings that were taking place and feeding this in. Can you elaborate on that at all and any specific efforts to try to stimulate debate on what has come out of this, either now or what might be planned for the future?

**Rt Hon David Lidington MP:** What I was talking about in answer to the previous question were the events that took place as part of the review process. Since the reports have been published, we have talked about them in speeches and seminars in which both Ministers and officials have taken part. We have seen the reports referenced in publications by varied organisations, such as Business for Britain, the CBI, TheCityUK, Clifford Chance, the Centre for European Policy Studies and the Centre for European Reform, and in parliamentary
Select Committee reports. The French have told us that they are using the transport report as a point of reference in their own transport policymaking. I spoke last week to Senator Keller from the French Senate, whom the Chairman and members of the Committee may have met, and she said that the French Senate is planning to do a review of the UK’s review in order to learn from that. I know that Danish think tanks, German academics and Swedish think tanks are also drawing on these reports. I draw on them both explicitly and sometimes just in passing, when I refer to a policy outcome rather than a particular volume, in my meetings with organisations such as MEDEF, which I had breakfast with when I was last in Paris. A number of the attendees said that they had read some of the reports and found them very helpful in stimulating their own thinking. That work is going on. The evidence from the reports is part of the briefing and agenda that any British Minister or senior official will have in taking part in a public event, a Chatham House rules event or just a bilateral with a counterpart.

Lord Wilson of Tillyorn: You refer to the Chatham House rules. Have you done anything about trying to encourage Chatham House to run a series of seminars or debates on these reports?

Rt Hon David Lidington MP: I have not thought of doing that. If Robin Niblett wanted to do it, I think it would be very interesting.

The Chairman: Minister, I will ask a specific question, which is rather coming out of the line of your answers, and then perhaps we can ask, as it were, a consolidated final question in this area. Mine is simply: would it be your impression—and I would be an impression, I realise—that in certain respects, as opinion-formers, these 32 documents have been more seen, studied and attended to outwith the United Kingdom than inside it?

Rt Hon David Lidington MP: I think it is both. I completely accept the argument that these have not been fed into the general public consciousness, but I think that is true, if I may say so, of most things that we debate in detail in Parliament. Most people have lots of things to do in their lives without getting into the detail of political policy work. I mentioned earlier some of the United Kingdom organisations that have been active in reading and developing the ideas of the reports. I mentioned some others outside this country. I would say that the Commission has been particularly attentive.

The Chairman: I have three colleagues who would like to put questions that are all cognate to this, so I am going to invite them to do that as one, as it were. Then perhaps you can give one collective answer, and we can move on to the other area of questioning.
Q7 Baroness O'Cathain: How do you plan to use the review to engage other member states in developing a reform agenda, for example on the single market?

Q8 Earl of Caithness: I want to follow up more on what you said about the perception in the EU—Vijay made some very interesting remarks, and you mentioned France just now—particularly the Commission, the Parliament and the other institutions.

Q9 Baroness Prashar: Minister, you have given us a description of how the reports have been used but how would you like to see the reports being used to inform public debate, and what would you do to encourage public debate?

The Chairman: Lord Maclennan is a late entry—can you carry four points in your head, Minister? I am sure you can.

Lord Maclennan of Rogart: What conclusions do you draw from the review regarding a possible renegotiation of the United Kingdom’s relationship with the EU? Are there specific aspects of the treaty that you think need to be revisited in the light of the findings of the review?

The Chairman: Over to you, Minister.

Rt Hon David Lidington MP: If I can take Lord Maclennan’s question first, I have to be careful here, because the review was very deliberately designed not to come to conclusions that went beyond the coalition Government’s agreed policies. Clearly individual party manifests in a few weeks’ time will set out what particular parties want to achieve at European as well as national level. Some of the messages that come strongly and powerfully from the evidence and which I certainly support are that there is a need for the EU to do more to deepen the single market, and that it is a good single market when it comes to trading goods but is woefully underdeveloped when it comes to trade in services—and services are what every European country is going to have as the growth area as we look forward. The significance of the EU in amplifying the United Kingdom’s weight in foreign policy in a number of areas is another theme that comes through, although coupled with that was quite a lot of evidence that it is important that we keep this unanimous, that there is a tension between on the one hand saying that a more effective Europe could be a bigger and bigger, weightier player in the world and on the other hand the fact that there is just not the public support for the idea that you could settle foreign policy decisions by majority vote. There has to be consensus to take something forward.

What also came through in a lot of the evidence was that the EU does good, useful things but at times becomes a bit too bossy and does not give the advantage to individual countries
to do things in the particular way in which they have been used to doing them. One of the reports said that you do not always need to go for harmonisation; the Cassis de Dijon judgment provides you with a model for mutual recognition—which is another way of failing at the single market debate.

On the other questions, we talk to the Commission at every opportunity. Frans Timmermans was here last week, and the Foreign Secretary and I drew heavily on the material that was in the review in suggesting things to him that he could put into his programme, and not just in terms of new EU action, although we argued very strongly for the Commission to do more on services and digital. We said, “Look, the reports show that there are areas in which the Commission could rein back, and that it could make a reality of subsidiarity and proportionality to a greater extent than it is at the moment. These reports provide some good, concrete evidence of areas, Frans, where you could be investigating how to deliver on those objectives”. We have other Commissioners coming over in the very near future. We have Commissioner Cañete coming over to talk about energy policy, as well as Commissioner Moedas and Commissioner Malmström, so there will be other opportunities to talk to individual Commissioners about this too. We are doing the same with individual member state Governments. I mentioned France a moment ago. We know that other countries—Slovenia, Slovakia, the Netherlands, the Czech Republic—are undertaking reviews on a smaller scale, but their Governments have been saying to us, “We like what you have been doing and we want to learn from how you have gone about the work”.

EU institutions? The Commission provided reports for each semester. They always told me that they were factual reports, not statements of opinion. We had evidence from 43 Members of the European Parliament and representatives from the Commission, and other institutions such as the ECB came to some of the engagement events that we held in London, Brussels or other member states. We have had a statement from President Juncker since his election saying, “Respect for the principles of subsidiarity, proportionality and better regulation will be at the core of the work of the new Commission”. British government departments have already used some of the reports to inform how they approach the European Parliament and gain evidence that they give to MEPs whom we are trying influence to come around to our point of view.

Lady Prashar asked me how I would like to see this taken forward. I would be being naive if I said that I ever thought that this was likely to be primetime television, but I would like to see
not the reports per se—those are instruments—but the arguments, the themes, the evidence that comes out of the reports becoming part of the informed debate in Parliament, the media and the think-tank world about this country’s involvement with Europe, and that evidence being used successfully to drive forward United Kingdom priorities. How do we engage the public? I will continue to refer to reports, speeches and any contributions that I make, and I encourage other Ministers to do the same, but I think we have to be realistic that this is going to be at the level of the people who we refer to as opinion-formers, and it is not going to be of mass interest, but I hope that some of it eventually percolates through through a better understanding of what some of the balances and tensions in the European debate are about.

Baroness Prashar: But you have no active plans as such?

Rt Hon David Lidington MP: Because of the proximity of the general election, no one is making too many plans until we know the outcome of the election, but whoever is the next Government will have this source available and will certainly want to make plans as to how we develop both our thinking and our communications on the basis of what is there.

The Chairman: On which note, Minister, we thank you for those exchanges and, if we may, we will pass seamlessly on to the upcoming European Council on the 19th and the 20th. We have some questions on that, starting with Baroness Scott.

Q10 Baroness Scott of Needham Market: Minister, I want to focus on energy union. It is clear that our energy policy has walked quite a difficult tightrope between the strongly expressed preferences of member states on the one had and the clear benefits of a more European approach that were highlighted in my Committee’s report of two years ago. You reported to us some months ago that the Council had tasked the Commission to develop policies that were more focused on security of supply, not losing sight of the importance of affordability and sustainability. The most recent document on energy union says, “We have to move away from a fragmented system characterised by uncoordinated national policies, market barriers and energy-isolated areas”. I wonder how supportive the Government will be of suggestions that go beyond the current policy of more effective implementation of current rules.

Rt Hon David Lidington MP: We think that the paper from Vice-President Šefčovič on an energy union is broadly a good one and we support the approach that he is advocating, particularly the priorities given to the internal market on energy as a key mechanism for improving security of supply and on delivering both sustainable and affordable energy. There
is nothing in the Šefčovič paper that seeks new competences for the Commission and EU institutions. Of course, additional competence would involve us in a discussion about changes to the treaties in any case. There is the possibility of tension—we will need to look at the detail of what is proposed—in the development of an internal single market in energy means for external representation where energy issues are being discussed. Let me give an obvious illustration. A lot of European countries will have bilateral agreements with third countries outside the EU for energy supplies, and we know that some European countries have very important contracts with Russian suppliers. We, of course, have a very important agreement with the Norwegians for the supply of gas. I do not think it is a great secret that we would be unhappy at the thought of the Commission having any kind of veto over the United Kingdom’s freedom to do deals with Norway on gas. In fairness, I do not think that the Commission is saying that it wants such a veto. At the same time, I know that Ministers in some Governments who feel very vulnerable to Russian pressure would like to have the muscle of European institutions behind them when they are trying to negotiate with Moscow.

One of the challenges when you get to the stage of detailed negotiation is how to design a framework that allows those countries that want and need to have the strong arm of European institutions to back them up while preserving the freedom of member states to pursue their own energy needs, taking account of the fact that under the treaties the energy mix for each member state is very much a national competence—it is not an EU competence at all. Energy is already treated, as Baroness Scott knows, as a mixture of European and national competences. We have to find a way of applying the principles in the Commission’s communication of 25 February to ensure that that balance is respected.

**Baroness Scott of Needham Market:** One of the current questions concerns a technical point about access codes. In the three years I have been on the Committee, every six months an ambassador comes and presents the work programme for the next presidency. They all say that dealing with this and completing the market is a priority, but actually it has still not moved forward. That is not a big geopolitical question of the sort that you have just described; it is a purely technical measure that is needed in order to allow the free flow of electricity across borders, yet we are not really making progress even on that. Can you comment?

**Rt Hon David Lidington MP:** I will ask Vijay to comment on this, not least because it is very much a DECC rather than a Foreign Office lead.
Mr Vijay Rangarajan: I will go into a little bit of detail. Two of the areas where we need to make further progress—and this is really welcome in the energy union communication—are, as you say, access codes and, linked to that very closely, the interconnectors that need to be built. That leads back to previous discussion in this Committee and elsewhere on the need for investment in some of these interconnectors. The reason why they have not been built and the access codes have not worked is largely due to bilateral disagreement between pairs of countries, often because various suppliers and parts of the market are not working. What is really welcome in the energy union communication is a quite strong push by the Commission to complete this, not least in the 230-odd projects of common interest. Most of the main interconnectors are there, most of the main pipelines are there. Certainly one of the things that we hope to get at the March European Council is quite a push in favour of completing a lot of these projects.

Lord Cameron of Dillington: As a follow-up to that, do you think the Commission has got long-term buy-in for this pretty complex and costly project? In some member states the electricity industries are state-owned, are probably very inefficient and may even be a source of revenue for the Government—Greece is a good example. Are they going to welcome the cold wind of competition that in the short run will cost them money, even if in the long run it is beneficial to their economy and their people? I always find that states tend to go for the short-term solutions rather than the long-term solutions. Do you think there is buy-in across Europe for this project?

Rt Hon David Lidington MP: Everyone is signed up to the principles of energy union. The devil will be in the detail. You make a reasonable point. Of course, everybody in the EU has agreed on the 2030 targets for decarbonisation—the 40% reduction—and that agreement imposes a discipline. You then have to work out how you are going to deliver that while keeping energy affordable to both domestic and business users. Some of the discussion, I suspect, will be about the energy mix. Some countries will want to focus on renewables; others, such as us and the French, will see a significant role for nuclear. There is the question of shale supplies in Poland and perhaps here as well. Of course, the technology is in the very early stages of testing in the field. There will be some detailed discussions. If this is to work there will need to be an acceptance that there is this combination of an EU framework, with considerable freedom for individual member states to determine their own energy mix and decide which sectors they are going to put their trust in, but with a common agreement on delivering the 2030 target on carbon.
Lord Cameron of Dillington: Is the EU capable of attracting the huge investment—billions and billions of euros—required for this project and maintaining the attractiveness of the project over many years? It is going to be very costly, this integration.

Rt Hon David Lidington MP: I think that will depend in part on the policies that individual national Governments have. It will often be a national Government or a national energy company that is seeking that inward investment, probably from global capital. A certain amount, I think, will be available from EU funds under the Connecting Europe Facility. As part of the multiannual financial framework there is provision for energy. Energy security is seen as one of the important elements of the Juncker package that was agreed in December last year. But you are right: a huge amount of investment is going to be needed from the private sector and it will be up to Governments to ensure that those investors have the right incentives.

The Chairman: I am going to ask Lord Wilson and Baroness Parminter to put their questions together, because I think they dovetail.

Q11 Lord Wilson of Tillyorn: Minister, could you give us a feel for how the UK—particularly the FCO, I suppose—is pursuing the whole question of diplomacy on climate change? For instance, is there still within the FCO a dedicated unit dealing with that? That is one part of the question. Secondly, you refer to everybody having signed in, but signing in can be fast or slow. We are not dividing sheep and goats, but are there fast sheep and slow sheep? Can you give us an idea of which categories key countries are in?

Q12 Baroness Parminter: Following on from that question, you said that everyone in Europe is signed up to the 2030 package, and they have, but we know that there are countries that are slower than countries such as ours, with our Secretary of State having played a decisive role in pushing the agenda forward. Who is going to lead for Team EU, not only in the Paris negotiations but in the interim international meetings such as the G7?

Rt Hon David Lidington MP: On Lord Wilson’s questions, to some extent Baroness Parminter answered the second one. It is no secret that Poland and a number of central European countries in particular, which are still relying on some quite old power generation plant and often on coal as a source of energy, are more nervous about ambitious carbon reduction targets than the western European countries are. But that package—the 40% reduction by 2030—is something that everybody has now agreed to. That is a collectively agreed EU position.
To answer the question about what the FCO in particular is doing—yes, we do still have a dedicated climate department in the Foreign and Commonwealth Office, although Vijay’s Europe team will have this as part of their work. Of course, our posts all around the world will have somebody who has climate and energy as one of their responsibilities. It may not be a dedicated position, particularly in some of the smaller posts, but there will be somebody there who knows that it is their job to lobby the host Government on climate and energy questions. We played a pretty significant role in securing last October’s European Council agreement, not least the 40% cut in emissions. It is a coalition Government. The Prime Minister was very active. The Secretary of State for Energy and Climate Change was also very active with his counterparts in securing that deal. The Energy Secretary and the Foreign Secretary raise climate issues all the time in conversations with their opposite numbers, and of course we still have Sir David King as the Foreign Secretary’s special envoy on climate change. He has a very full programme of visits around the world to try to build up relations with key countries, including India and China but also some of the very vulnerable countries in the developing world that will be at risk if climate change is not unchecked. We play a part in the Green Growth Group of 14 like-minded EU member states, and we are holding a global Climate Diplomacy Day on 17 June that builds on quite a successful similar day last September which we and Germany organised jointly.

In response to Baroness Parminter, as she says, the EU negotiates within the UN context as a team, as a bloc. There are three senior negotiators in the EU team. There is one senior UK official, one senior German official—both, I am told by my officials, chosen for their expertise in and knowledge of this dossier rather than these being British and German posts as of right—and someone from the Commission working with them. So we play quite a central role in shaping those Team EU positions. Those EU positions have been reached by consensus. It is not a qualified majority vote and that should be reassuring to those members of the Committee who have been concerned that some countries might break away. That 2030 target has been adopted unanimously by all Heads of State and Government. Because it is a shared competence area, the EU’s negotiating mandate is agreed in advance in the form of EU Council conclusions, which deal with both member state and EU competence matters. The European Council Heads of Government are able to do that. That is really how things are handled within Team EU. I think people have learnt the lessons from the debacle of Copenhagen a few years ago. There is a real determination to make this work well.
**Q13 Lord Foulkes of Cumnock:** Lord Chairman, this is a really important subject, much more interesting than the balance of competences. On energy security, Minister, as you know, six member states depend on a single external supplier for their entire gas imports. Energy security is a very important matter. There is huge potential in wind, solar and tidal energy, and since this is before the meeting, I urge you when you are at the meeting to press very strongly for positive action along the lines that Lord Cameron suggested about getting the grids completed. There is huge investment potential. That will provide lots of jobs for people—not just the North Sea grid but the proposal now for a Mediterranean grid bringing solar energy; the Tunisians are very keen on it. I hope you will raise this and press very strongly at the meeting that we should do that—and ignore UKIP, which thinks you ought not to be doing anything. A UKIP man recently asked, “What are they going to do when the renewables run out?”. That is the depth of its thinking on this matter. I hope you will take a message from this Committee and go in enthusiastically supporting this kind of development.

**Rt Hon David Lidington MP:** I will certainly be enthusiastic in driving the agenda for energy security, which I think is important for economic prosperity reasons but is also extremely important for geostrategic reasons. It is in all our interests that Europe collectively is able to lessen its dependence on Russian gas in particular. Lord Foulkes drew attention to renewables. Renewables certainly have their place and some countries, such as Germany, have decided that they want to give them a prime place. I would say that there needs to be space also for nuclear, carbon capture and storage, and other energy sectors. One of the things that the Prime Minister will be seeking to do is to ensure that there is freedom for member states to—

**Lord Foulkes of Cumnock:** What about investment in the grids?

**Rt Hon David Lidington MP:** We will have to see. In fairness, the Greek Government have been focused on other things in recent weeks and continue to be. As I said in answer to Lord Cameron earlier, some help might be available from the EU budget, but this is going to need a huge amount of private sector investment and that will require national Governments above all, rather than EU institutions, to foster an economic climate that will encourage that kind of investment.

**Lord Foulkes of Cumnock:** We can take the lead on it.

**Rt Hon David Lidington MP:** We can certainly take the lead on it. I would argue, without getting into a party dogfight with Lord Foulkes, that the present Government are doing so. Where I think the EU can be significant is in trying to reduce some of the barriers to
interconnectors across national frontiers. Lord Foulkes referred to Tunisia. Spain has been very keen to find ways to export some of the surplus energy that it would have available for elsewhere in Europe. It is no secret that France and Spain have not always seen eye to eye on that question. I leave it at that.

Perhaps I might add one point, Chairman, which Vijay has reminded me about. We talked about Team EU and what the Government are doing. Because the French are hosting the next big climate meeting, we are working particularly closely with the French. They have a clear interest in making the Paris meeting a success, and we see this as a welcome opportunity and we are very closely engaged with that.

The Chairman: As we begin to draw the session towards a close, I will ask Lord Kerr to turn to matters slightly further east.

Q14 Lord Kerr of Kinlochard: It seems quite likely that the European Council will in fact be dominated by discussion of the situation in Ukraine. Perhaps that is right, because the situation in Berdyansk, Donetsk and Mariupol seems to be deteriorating all the time. What would the British Government want the European Council to decide, and what new initiatives are the British Government taking to the European Council?

Rt Hon David Lidington MP: We want to see the Minsk II agreement that the Normandy group negotiated recently implemented on the ground and in full. We believe that the sanctions that were imposed on Russia, which are due to come up for renewal in July this year, should not be softened until Russia has fully implemented the Minsk agreements. That is how we approach this. The Minsk agreements are the best chance we have to try to get a peace of some kind in the Donbass. There are some indications of heavy weaponry being pulled back, but we do not have any verified reports that I could tell the Committee about that there is a genuine ceasefire everywhere or that all heavy weapons have been pulled back in line with the terms of the Minsk deal. There was a prisoner exchange between the Ukrainian army and the Russian-backed separatists on 21 February, but we are still at a very early and fragile stage of this process.

I hope that the March European Council will be very clear in its support for the diplomatic process and firm on the need for the Minsk agreements to be implemented in full and the conflict to be de-escalated. I hope it will be clear that the EU will maintain the pressure until those agreements are fully implemented and that the sanctions will remain in place until then, and that were Russia to engage in further aggression—were we, for example, to see an
assault on Mariupol—the EU would be ready to deliver further and significantly stronger sanctions.

Lord Kerr of Kinlochard: But you do not have any new proposals.

Rt Hon David Lidington MP: In fairness to the Committee, it would not be right for me to say exactly what the Prime Minister may say in conversation with his colleagues.

Lord Kerr of Kinlochard: I understand that point, Minister. You say that we are very strongly in support of the diplomatic process but, putting it harshly, we do not appear to be playing a prominent part in that process. The Minsk ceasefire was negotiated by Foreign Minister Lavrov, President Poroshenko, Chancellor Merkel and President Hollande; the Prime Minister was visiting a film set on the day in question—a television series. Do we feel that we, the British, have any obligations as a result of the fact that we were signatories to the Budapest memorandum? The previous Conservative Government—in my view, quite rightly—signed up to this country being a guarantor of the deal whereby Ukraine gave up its nuclear weapons. If it still had its nuclear weapons it would not be in the fix it is in now. We guaranteed its frontiers. Do we have any initiatives to take? Do we feel any responsibility to take any initiatives as a result of what Douglas Hurd, quite rightly, signed up to?

Rt Hon David Lidington MP: As you will know, the Budapest memorandum obliges all parties in the event of a breach of its terms to carry out urgent consultations between themselves. It is not a mutual defence treaty. When Russia breached the terms of the Budapest memorandum through its action in Crimea, we, along with the Americans and the Ukrainians, sought those urgent consultations, but the Russian Government rejected that suggestion and refused to participate.

The political reality is that Chancellor Merkel has a particular relationship and important channel of communication with President Putin personally and with the Russian Government that no other European leader can match. That is the reality. It is not something I cavil at or feel jealous of. That is a fact of life. Our Prime Minister talks frequently to Chancellor Merkel and his other counterparts around Europe and has been especially active in trying to ensure that the positions of the European Union and the United States are very closely coordinated. We also maintain very close contact with the Government of Ukraine. The Foreign Secretary was in Kiev last Friday. He saw President Poroshenko, Prime Minister Yatsenyuk, Foreign Minister Klimkin and the speaker of the Rada, and the Ukrainians made it very clear that they appreciate the strong stance that we have taken in defence of their
sovereignty and territorial integrity and the strong position that we have taken and continue
to take over European sanctions.

As I said earlier, Minsk is the best framework available for trying to address this crisis, and
we need to try to make it work. To sit down and try to invent something de novo is
probably not the right thing to do when there is a chance—I put it as no more than that—
that this fragile deal could turn into a longer-lasting truce and then a peace.

The Chairman: Minister, I am conscious that you have an engagement at the other end. I
express the thanks of this Committee for your continuing attention to it and for your
remarkable record of survival as Minister for Europe for five years. It may have seemed even
longer to you, but it has been very useful to have you in post and to have the frankness and
charm of your responses.

Rt Hon David Lidington MP: Thank you.