Meeting with the deputy prime minister : vehicle emissions : government response / Select Committee on Science and Technology.

HOUSE OF LORDS

SESSION 1997–98
4th REPORT

SELECT COMMITTEE ON
SCIENCE AND TECHNOLOGY

MEETING WITH THE DEPUTY PRIME MINISTER;

VEHICLE EMISSIONS: GOVERNMENT RESPONSE

REPORT WITH EVIDENCE

Ordered to be printed 15th December 1997

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CONTENTS

FOURTH REPORT

15th December 1997

By the Select Committee appointed to consider Science and Technology.

ORDERED TO REPORT

MEETING WITH THE DEPUTY PRIME MINISTER; VEHICLE EMISSIONS—GOVERNMENT RESPONSE

On 15th December 1997, we received oral evidence from the Right Honourable John Prescott MP, Deputy Prime Minister and Secretary of State for the Environment, Transport and the Regions. Mr Prescott was accompanied by Michael Meacher MP, Minister of State, and Dr David Fisk, Chief Scientist. The witnesses answered questions on:

action following the Kyoto conference on climate change;

nuclear power and nuclear waste;

vehicle emissions;

hypothecated taxation for environmental benefit;

environmental audit of Government;

housing development, brown field sites and water supply;

planning of technological developments of national importance; and

Regional Development Agencies.

The transcript of our exchanges is appended to this Report.

In November 1996 this Committee made a Report, *Towards Zero Emissions for Road Transport* (1st Report, Session 1996–97, HL Paper 13). The Government have now made a written response, which is also appended to this Report.

APPENDIX

Members of the Select Committee

Lord Carmichael of Kelvingrove
Lord Craig of Radley
Lord Dixon-Smith
Lord Flowers
Lord Gregson
Baroness Hogg
Lord Howie of Troon
Lord Jenkin of Roding
Lord Kirkwood
Lord Perry of Walton
Lord Phillips of Ellesmere (Chairman)
Baroness Platt of Writtle
Lord Porter of Luddenham
Lord Soulsby of Swaffham Prior
Lord Tombs
Lord Winston

MONDAY 15 DECEMBER 1997

Present:

Craig of Radley, L.
Dixon-Smith, L.
Flowers, L.
Howie of Troon, L.
Jenkin of Roding, L.
Kirkwood, L.
Perry of Walton, L.
Phillips of Ellesmere, L. (Chairman)
Platt of Writtle, B.
Porter of Luddenham, L.
Soulsby of Swaffham Prior, L.
Williams of Elvel, L.

Examination of Witnesses

THE RT HON JOHN PRESCOTT, a Member of the House of Commons, Deputy Prime Minister and Secretary of State for the Environment, Transport and the Regions, and MR MICHAEL MEACHER, a Member of the House of Commons, Minister of State for the Environment, were examined; and DR DAVID FISK, Chief Scientist, DETR, was called in and examined.

Chairman

1. Deputy Prime Minister, may I welcome you to the Committee with your colleagues. Perhaps I could begin by asking whether you would like to make any brief introductory statement and for that matter introduce your colleagues, although I am sure most of us know who they are.

(*Mr Prescott*) Thank you very much. I have with me Michael Meacher who is the Minister for the Environment and David Fisk, our Chief Scientist. I am pleased to appear before your Committee, it is the second occasion I have had to appear before a House of Lords' Committee, the last time I was the Leader of the Labour Group back in the late 1970s so it has been a long time. That was your Europe Committee under Lord Greenwood. I must say that you did a far better job than the House of Commons' Europe Committee in analysing what was needed to be done within Europe. I think that was due to your terms of reference which were much better than they were in the House of Commons at the time. It was an experience and I am grateful to have a second opportunity, albeit in a different position. I would like to express right at the beginning our tribute to Lord Dainton, we were sorry to hear of his death, and indeed we would like to put on record the Government's appreciation for the work of this Committee for United Kingdom science. The Committee's report on systematic biological research which resulted in the Culture Collections Advisory Group and the work that came from that was well known and reflected a great deal of the hard work and the quality of this Committee, if you would allow me to say that. I am grateful for the opportunity to appear before you today.

2. Thank you particularly for those remarks about Lord Dainton who was a well regarded and fondly remembered colleague. Since you are freshly, although that may not be the right word, back from Kyoto, I wonder if you would like to begin by telling us what action the Government proposes to take within the United Kingdom jurisdiction in the light of developments at the Kyoto Conference?

(*Mr Prescott*) Yes. You are well aware, my Lord, that I shall be making a statement in the House of Commons tomorrow and if your Lordships so wish they will be having their own statement on our judgements on Kyoto. That will somewhat limit some of the remarks I have to make, as I am sure your Lordships will understand.

3. Yes.

(*Mr Prescott*) Nevertheless, I think the Conference was a success and I want to address some of these remarks to the implications for the United Kingdom. We were committed to leading the fight against global warming through both leadership abroad and positive action to reduce greenhouse gas emissions at home. I would like to say we were able to build on the good record of the previous administration which certainly gave us credibility in arguing with other nations that at least Britain had achieved her targets from the Rio commitment and was one of only a few countries basically to achieve that. That enabled us to talk to them with authority during the process of these discussions and negotiations at Kyoto. It was indeed an historic agreement and it was a recognition by the world that a global problem required a global solution and required legal commitments rather than voluntary commitments that had failed at Rio. That is what the negotiations were about. I think one of the difficulties about those negotiations was that it was international protocol that does not allow anyone to vote on the issue, you have to get it by consensus. You can imagine with 160 nations, all with their own qualifications as to what you should do, it is difficult to get within a two or three day conference full agreement but we managed that. I think, therefore, it is an historic agreement, indeed, to get countries who have rather different interpretations of what emission limits should be to agree. For example if I can point out the United States, they believed that the cuts in emissions by 2010 should be the zero level, for the Japanese it was two and a half and for the EU it was 15. As it turned out in the end the Japanese went from two and a half to a six per cent cut, the Americans from zero to a seven per cent cut and the European Community down, if you like, from 15 to eight. That is a remarkable agreement because the overall consequence of that is that we could claim that there would be a reduction in greenhouses gases, to be achieved by 2008-2012. That is a remarkable achievement. If it had been anything less, quite frankly, as we were at the six, six, five formula at one

Chairman *contd.*]

stage, we would have ended up with a formula which would have meant that by 2010 we would have continued to increase greenhouse gas emissions and that would have been a real failure. On the international level we think it was a good agreement. We will now, of course, be consulting industry, as we promised, and indeed the City as to how the package of proposals will work although, to be frank, one has to recognise that the full details and implications of that agreement for the world, and indeed even for the United Kingdom, are bound up in the rules that affect the trading agreements, the emissions, all these other variables that are very much caught up with the sink argument for example. We were very insistent that it was not possible to work out the agreements and the rules in Kyoto so we established conferences to take place after this time in which we will discuss the rules affecting emissions because there was great concern at the Conference that trading emissions may well be seen as a loophole and nations will agree that they will cut emissions and then do nothing about cutting their own greenhouse gases. There was great concern particularly by the Third World countries about that matter. The concept that we as a delegation developed was what was called the "window of credibility". There had to be a time from when you signed up for the legal targets until the period of ratification in which the rules could be worked out properly, they could be seen to be credible and were tied very much to the targets. The full details of how it will apply even within the United Kingdom are yet to be fully worked out. We will take as our first step next year to consult on these measures to deliver our legally binding targets which have been set in Europe. As you know we are part of the European bubble, if you like, to use that expression, so whilst we all agree to eight, the actual proportion of cuts will be differentiated within the European 15 countries which can range as much as under the past agreement over something like a 25 per cent cut for Germany, ten per cent for ourselves and in the case of Portugal I think it was something like a 40 per cent increase. That was a controversial matter, having differential agreements within the European framework. We now have to go back and my Minister for the Environment will be at the Council of Ministers for the Environment tomorrow to begin the thinking of how we readjust the bubble contributions and therefore Britain's contribution will be considered within those discussions. We are looking for a package of measures to deliver cuts in emissions in the United Kingdom and we are working them out at the moment. We are not simply going to leave it to one industry like coal, which carried the burden under the previous administration's policy, we are looking for greater savings from changes in industrial energy efficiency, an integrated transport system, combined heat and power and indeed increases in electricity generated from the renewables. We are working out those plans at present and we will be producing a statement for the House, indeed for the country, so that we can show how we can achieve these targets, first the legally binding target and then the more stretched target that we have set for ourselves.

Lord Jenkin of Roding

4. Deputy Prime Minister, you have mentioned the issue of tradeable emission permits and so on which obviously figured substantially at Kyoto. One can understand the difficulties of trying to reach any agreement at this stage but hopefully it will come back at Buenos Aires next year. You may remember a year or two back a Select Committee of this House, the Committee on Sustainable Development chaired by Lord Tombs, had a substantial section of its report arguing the case for tradeable permits as one of the ways of making sure that savings are achieved in the most economical way. I wonder, would the Government include in its armoury that you have just been talking about a system of tradeable permits within the United Kingdom so that the different emitters can trade in the way that has been envisaged in order to help achieve the targets that you have accepted?

(*Mr Prescott*) Certainly the Vice President of the United States when I was talking to him about this matter was very concerned to get trading emissions. He said that using the market system had been very successful so far as regards emissions in the United States, it did not involve a great deal of bureaucracy and he was attracted by the market aspect of it and indeed the overall cost was something like ten per cent of what industry had estimated. He was very much caught on that concept, he thought it was an important development. That is why we did include it in the Kyoto Agreement. It was clear whatever legal targets were set these variables were an important way of achieving the targets. I am sure that is why the American target is as high as seven, because they see some substantial benefits coming along from this and joint implementation. I must say that we would like to talk to industry first before we commit ourselves to a highly complex and complicated way of doing it. There may well be a lot of sense in it and I approach it very much with an open mind and indeed it is now part of the Kyoto Agreement so it will begin to take place. I am told of the difficulties within the United Kingdom economy of achieving that and indeed it is said by some of the industry that they prefer to be given a target on an industry basis rather than a company basis and I see the chemical industry has now suggested that they can achieve their cuts of 20 per cent by 2005, five years before the period that is envisaged in this Agreement. We are going to talk to industry to find possible ways of getting greater efficiencies while at the same time in an efficient way achieving those emissions cuts. We do not rule it out, we do not rule it in. We are certainly going to look at it and talk to all the parties about it and then produce a paper on what we think is possible.

Lord Porter of Luddenham

5. Deputy Prime Minister, you said a little while ago that whatever happened at Kyoto you would hope that the CO2 emission target of 20 per cent suggested by the Prime Minister and others by 2010 would remain. I think we all understood that the route to this was probably to a large extent through gas, the fact that gas energy means less carbon and more hydrogen.

Lord Porter of Luddenham *contd.*]

(*Mr Prescott*) Yes.

6. Do you still hope to hold by that figure? If so, things have happened recently, there has been very much the coal lobby and almost the renewal of interest in coal as a fuel and this, of course, conflicts with that ambition of 20 per cent, does it not?

(*Mr Prescott*) No, we do not think it does. Scientists tell us that we can achieve that target by looking at the other measures I have mentioned about greater efficiencies in energy, renewables, integrated transport policy, improving heating in housing. We are going to work out those plans and we will be presenting them in due course, probably next year. If I can come to the specific point, and it is a very good one, in regard to the gases. When I was talking to various countries about Kyoto and talking to the Japanese in particular they were very strong about expanding the basket of three gases into a basket of six. As you know, the EU were concentrating on three, of which one was CO2. Our target of 20 per cent is for CO2, let us be specific about that. Because we have now changed the Kyoto Agreement from a basket of three to a basket of six we have to look at the EU bubble again. If you look at Germany she is very much affected by that change to the basket of gases. Even within the European Community whatever the legal target, it will vary of course, there will be some countries having even a greater cut of something like 25 per cent; some countries will have a percentage increase of up to 40 per cent under the ten per cent target Europe has set itself or agreed to, and that is less than the 15 per cent usually talked of. In those circumstances that is going to make a change because these are legal targets we are talking about and we are bound to carry out the consequences of the legal targets and the basket of 6 gases may force changes to the national targets. It will not move us off, as the Prime Minister has said. This is our aim, to move to that 20 per cent. We intend to produce plans to achieve that. We are encouraged that the scientists say that is achievable. It gives me an opportunity to say that much of this argument is seen in pain rather than gain. There are an awful lot of benefits to achieve by this: greater energy efficiency, warmer homes, a better transport system. I do feel we have got to change the argument from one of if you have got a bigger target somehow you are taking bigger pain, I do not think it is that at all. I think we can march to greater efficiency and greater effectiveness which will be of benefit to all. We are not moving away from our 20 per cent and I think in due course we will be presenting our proposals to achieve not only the legal target but also the stretch target that we set ourselves.

7. When you talk about renewables, which we are hearing a lot about as an alternative, is this wind, water?

(*Mr Prescott*) Yes, wind, water.

8. Is there something else?

(*Mr Prescott*) No, it is the wind and the water.

(*Dr Fisk*) Hydro-electric.

(*Mr Prescott*) I do not know whether we can talk about solar in this country but we live in hope and climate change is probably making it easier!

Lord Craig of Radley

9. Deputy Prime Minster, the historic nature of the Kyoto meeting will be achieved when the agreement has been ratified in these countries.

(*Mr Prescott*) Yes.

10. Some commentators are very uncertain or unconfident that the United States Congress will ratify.

(*Mr Prescott*) Absolutely.

11. Perhaps you could share with us your feelings about the situation in which there is a major country like the United States which fails to ratify and what Her Majesty's Government's attitude to your plans would then be, whether they would be modified or whether you would wish to continue anyway?

(*Mr Prescott*) President Clinton says the present agreement will not be put to the Congress for agreement and a number of Congressmen have made it absolutely clear, and Senators, that they would not endorse the present agreement. I became aware of that very early on in the discussions prior to Kyoto when I was doing my travels talking to Vice President Gore and others. It did become clear that each nation had its own conditions for a target. If you went to Japan they told you about the gases and the way it had to be changed to get to their target. If you went to New Zealand it was about the forest and the sinks and you would have to get some measurement of that before they would agree it. If you went on to Australia it was land clearance. All of them had their conditions. If you went to India, as I did, and talked to the Indian Prime Minister, his view was that the developed nations have got to work out their own cuts first before they are asked to come on board. If you went to the States they said they are not going to accept that unless we have trading emissions, joint implementation, which is important to them as well, and also that there is an agreement that the Third World countries, the developing countries, are signed up to. There was an article in the draft text on voluntary targets for developing countries, which unfortunately failed at the last moment and threw the whole possible agreement into doubt which we were eventually able to correct. What has happened when I tried to develop the window of credibility was to deal with this point. There is a period of time from when we now agree and sign the legal targets, which I think is in March next year, and the period of time when ratification comes. Ratification will come after the election of the next President, and obviously Vice President Gore is likely to be one of the candidates, so that makes it clear that the environment and this agreement will be an important issue in that election. That gives you a time of about three or four years. That is why we coined the phrase the "window of credibility". We must now start to pull together the ideas and the rules that will apply in the interpretation of the use of sinks, in trading emissions and joint implementation. You really have to have the rules, otherwise it would look as if they were just loopholes. There was great concern about this. I think in three or four years we could have worked it out enough to convince the Congress that this is a real deal, that Third World countries will have seen that the developed countries have started now to

Lord Craig of Radley *contd.*]

seriously cut their emissions, they have made a very serious start now with the legal targets. I think in the next couple of years we can almost take in measures to begin to implement the agreement. Then it really puts the ball in the court of the Third World to say "what are you prepared to do" because the projections of greenhouse gases from the development of some of these countries, particularly India and China, are very, very considerable. I think in this window of credibility we will find the interpretation of the agreement will have changed and still kept the same targets and will be sufficient in my view for the Congress to say "we will be prepared to endorse the agreement" but I do not know.

12. Perhaps you could be a little bit more specific about what implementation steps you see being taken in that period of discussion and further negotiation? Is there something that is physically going to be done so the public can recognise that this is a step we are now taking?

(*Mr Prescott*) I think it is very important for Britain to continue to take the lead. It is entering into a period of the next six months in the Presidency of the European Union, it has also the Presidency of the G8, there are the Euro-Asian meetings, there are many fora in which we can develop meetings to establish the credibility of these rules which is absolutely important so it does not take four or five years before you get an agreement. The timetable is such that we are proposing and we are going to take one or two initiatives in this area to be able to get established very quickly what the rules are so we can apply them in the next two years or so.

13. But it is not the talking I am talking about.

(*Mr Prescott*) You do not get anywhere without talking.

14. It is the steps.

(*Mr Prescott*) I am afraid in this I have spent most of my time talking and walking, to coin a phrase. It is important in the talking to get the assurance and the agreement. I have got to make sure, and I think Britain has to make sure, that if we are to meet this ratification barrier, which is a very important one there is no doubt, we must have set up the committees of the scientists and the people to set out the rules. We are now trying to make that effort and hopefully I would like to see it achieved within the next two years so we can begin to implement emission trading and show that it is beginning to work in a way that is acceptable to the developing countries and to the American Congress. The developing countries can then say, "Fine, you are the main polluters, the polluter must pay, you have done your bit, you look as if you are serious about it, we will now start volunteering to sign up to some targets."

15. What do you see being implemented in this country in the near future as a demonstration of this? Rather than the very important, I acknowledge that, series of discussions and committee meetings and so on, what can the public look to, to see that we are starting to do something in this country?

(*Mr Prescott*) It is a very important point that whilst I am talking about where we have to get to on trading emissions, you can take as an example of what we would do here that even if we start to set up the mechanism there is no reason why the City should not start now becoming the centre of these trading emissions. When I have talked to the City they have not been doing much about it. We are trying to encourage them to get on with providing that market clearing mechanism, if you like, so we can play a major part in that. Secondly, to encourage the chemical industries and others to see how trading might work on an industrial basis. My integrated transport policy will be out by May, and it will be very much motivated by the kind of environmental targets set for ourselves, so we use our cars less and our public transport more. Our whole housing policy is going to be affected by this, and I shall be issuing a millennium urban village concept which might look at how you reduce people's needs to travel so they can meet their needs within the urban and city environment itself. There are many things we will be putting in our papers in the next six months to show specific efforts, and I hope that will mean people will look at a building or look at a better transport system and say, "That is quite good" and perhaps it will be motivated a bit by Kyoto. We do have to get people's perceptions of what changes we need today, and for them to work with it is an important part of success at the end of the day.

Lord Howie of Troon

16. Deputy Prime Minister, we have been talking about fairly high policies, I would like as an engineer to talk about fairly low policies.

(*Mr Prescott*) Now I am in trouble!

17. Earlier on you mentioned the business of fuel efficiency which I regard as crucial in this whole business. This is, I suppose, a bit of a King Charles' head of mine, but I wonder, is it actually sensible to utilise gas, which is an excellent primary fuel, to produce electricity as a secondary fuel, losing a very substantial part of the energy efficiency of gas? I know there are said to be emission arguments in favour of it, but gas is of course non-renewable, though it might be findable. Are you quite sure that the dash to gas as we called it a year or two ago is really such a terribly good idea?

(*Mr Prescott*) I am not convinced it is the best way of using such a primary fuel. Of course, I was opposition spokesman on energy for 12 months and I wish it had been two years because I would have liked to have developed an energy policy, which I do not think has been properly developed by either party or administration. As you know, the Government is now looking at the balance of this and I think coal has a part to play. I understand all the arguments about coal and the CO2 gas emissions and all those kind of problems, but you have to get a proper balance in this and that is what we are attempting to do. The other side is—and it gives me an opportunity to say this—if you go round the coalfield communities in this country and see the price which was paid for this environmental improvement, which we are all proud to have achieved, it was one heck of a price in the coal communities. I do think there is some responsibility to the coalfield communities and generally to all those affected by change to do something about it.

Lord Howie of Troon *contd.*]

That is why we set up this coalfield community task force to look at how we might begin to redevelop other kinds of industrial activity in order to meet the requirements of employment and sustaining whole communities which now have no other alternative employment. I think that is an obligation which comes from change. It is not to say that change does not take place, or to resist it, or to say the balance should be on coal, gas, oil or indeed nuclear, they are all part of a balanced energy policy. I do not think in this country we have had one for a long time and I think it is about time we did.

18. So you would put a mild question mark against the dash for gas?

(*Mr Prescott*) Yes, I would certainly have a question mark against the dash for gas.

Lord Flowers

19. Deputy Prime Minister, may I ask you two questions about nuclear power?

(*Mr Prescott*) Would you mind, my Lord, as we have apportioned our responsibilities, if Michael could say something on nuclear power?

20. I speak to you collectively! Firstly, do you see a long-term role for nuclear power for electricity generation, not least as a means of restraining atmospheric emissions in the United Kingdom, given nuclear power is much better developed on a large scale than any of the renewable resources? That is the first question. The second one is, you are no doubt aware that we are starting an enquiry into the management of nuclear waste in the new year. Would you like to make any preliminary statements about the Government's plans for the treatment of United Kingdom nuclear waste, especially in view of the failure of the NIREX planning application?

(*Mr Meacher*) First of all, there is certainly going to be a continued role for nuclear power for some time. I think the proportion of electricity generation from nuclear sources last year was about 30 per cent, and there is no doubt that increased capacity in the nuclear industry, improved productivity, has enabled this country to obtain energy whilst restraining, as you say, greenhouse gas emissions, and that is certainly valuable. So long as we can guarantee safety, which must be the prime consideration for the nuclear industry, and as long as there is protection of the environment, then I would anticipate that this will continue for some time. However, there is of course the question as to how far the Government should intervene in this matter and it is after all a matter for the generators to determine the nuclear mix within Britain's overall energy supply. The fact is that in our view we do not think it is right that Government should intervene in favour of constructing any new nuclear power stations. So the answer to your first question is yes, as long as those requirements of safety and environmental protection are met, we do anticipate that nuclear power will continue to have a significant role for a number of years to come. If I could turn to the other question which of course is very much related on which, if I may say, Lord Flowers, you have a celebrated background as the chair of the—

21. Notorious, some people prefer to say!

(*Mr Prescott*) I told him to say "celebrated"!

(*Mr Meacher*) I think "celebrated" chair of the Royal Commission on Environmental Protection. Twenty years on from the time you produced your ground-breaking report you may not be entirely surprised to know the Government still have not finally resolved this issue, which is an exceedingly difficult one, of the management of nuclear waste. The amount of it continues to grow, I think it is something like 70,000 cubic metres of intermediate level waste, and that continues to grow every year. We are of course considering the matter extremely carefully in the light of the last Secretary of State's decision to refuse the appeal of UK NIREX against the refusal of planning permission by Cumbria County Council in regard to a rock characterisation facility at Longlands Farm at Sellafield. This is a matter which I think all Governments, particularly in the light of the record of the last ten or fifteen years, do have to consider with extraordinary care and to try and ensure there is a consensus. We will certainly be consulting fully before we reach a final decision on this and we will, of course, be taking a particular view of the decision of your own Committee. We are extremely interested and pleased that you are undertaking this enquiry and we will certainly be looking very carefully at your conclusions, and we will not be reaching any final conclusions ourselves until we have the results of that enquiry. I would say that everyone in the industry as far as I know regards the surface storage of nuclear waste as safe for 50-100 years and, therefore, there is no immediate urgency on reaching a final conclusion but equally I think one should not procrastinate. I think it is very important that we are clear about the process by which we will reach a final and authoritative decision which hopefully is consensual because, of course, we are talking about the storage of waste for some tens of thousands of years so it is extremely important that we get it right. We will be looking with great interest at what your own Committee determines.

22. If I may say so, I understand and indeed sympathise with your answer to my second question entirely but it does at the same time cast a question over your answer to the first question, because if nuclear power is to be subjected to so many difficulties about the disposal of waste and other things as well then it is impossible to say that the Government can just stand back as if it had no role in deciding whether or not nuclear power had a smaller or larger part to play in the future. That is to say, all these conditions which have to be imposed upon it impact very much upon whether it can expand or not.

(*Mr Meacher*) Well, that is true but at the same time I do not think my two answers are inconsistent. Any responsible government, not just in the United Kingdom but literally anywhere in the world, needs to have an answer to the question of the safe long-term storage of nuclear waste. To my knowledge no government in the world has yet found a satisfactory answer to that question. There are underground laboratories, like the Rock Characterisation Facility at Sellafield, which are being explored by a number of nuclear countries abroad. We are, of course, very

Lord Flowers *contd.*]

much in touch with them to try and learn from them the results of their work and we will certainly incorporate that. But in the absence of a final and settled and agreed answer to the second question, what I am really saying is that for the moment nuclear power has something less than a third of electricity generation in this country. That is not as a result of government's intervention, certainly not the present government, that is the situation we have inherited. It is a situation which will not last, I accept, for very much longer because particularly the magnox reactors do have a limited life and whatever that may be, perhaps another five or ten years, it is difficult really to see beyond that. Then, of course, the energy mix will change in the absence of intervention. In the short-term I do not really see any other option than the answer I gave that nuclear power has a significant role to play and I believe it will have a part in the energy mix for many years to come.

23. Given all that and given that all countries are facing exactly the same problems, nobody is ahead of the United Kingdom or significantly behind it amongst the nuclear powers, some countries are pressing ahead with nuclear power at a great rate, France for instance, and some countries have opted out altogether faced with the same problems. It is the attitude of the government, aided and abetted by Parliament and public opinion of course, which has led to these differences. Again, I say the government cannot just stand back and say "this is nothing to do with us", it is everything to do with the government's attitude towards this problem.

(*Mr Meacher*) I accept that. I think if one is looking for a long-term energy policy, and any responsible government does need a long-term energy policy, one has to take a view of the proportionate shares of the various energy sources, that is undoubtedly so. I think a decision, as you yourself were saying, with regard to nuclear power must depend on a knowledge about decommissioning costs and practicalities and also the management of radioactive waste. There is a great deal of research activity continuing of course at Sellafield with regard to reprocessing, with regard to the development of MOX fuels, all of which are designed to find alternative answers to this question of what to do with spent nuclear fuel. I do not think conclusive answers on any of these questions can be reached. What I think the government should do is, as I say, to identify the process by which a government can responsibly come to the best answer available and that is what we are trying to do.

Lord Dixon-Smith

24. Deputy Prime Minister, I am sure all members of our Committee will both understand and appreciate your wish to maximise both the opportunity for and the use of public transport through an integrated transport system. That said, we would be interested to hear your views on the incentives for people to use more fuel efficient and less polluting cars and to encourage manufacturers to move their manufacturing stream in this general direction.

(*Mr Prescott*) Yes, thank you, my Lord. I think your report "Towards Zero Emissions for Road Transport" was a very good and excellent report in the sense that we were able to act on a number of its main recommendations and certainly take it into account in our White Paper. It is one area, an important area, not only in reducing the emissions but at the same time an essential part of any integrated transport policy. We are doing a number of things. We are considering research into the cleaner, more efficient vehicles that we are concerned with through the DTI's Foresight Vehicle Initiative and the Cleaner Vehicles Task Force in which we are co-operating with industry to see how we might get more efficient vehicles in that sense. Of course, as we have mentioned, we are currently undertaking a fundamental review of transport policy in this sense, that is we have a situation in this country where we have less cars per head than the average developed European economies and yet we use them much more here. I think that is probably one reflection of the type of public transport system we have got here. It may well be to do with the fiscal arrangements concerning cars which you have to look at. Certainly we do tend to use our cars much more even though we have fewer cars per head. That is something that is an important aspect of our review of the transport policy, seeking to use public transport more effectively at present than the singular use of the private car. Indeed, I think I have got myself into controversy on occasions by suggesting that perhaps you could not use the second car and we could encourage you to stay with one car instead of two cars. In fact, in some cases I think in households it might be getting rid of the third or fourth car. I think these are judgments people could make. I cannot really believe that they all have the money simply to have three or four cars in the family, I think it is do with the fact that our public transport system is not integrated sufficiently, is not reliable and we need to do a lot more about that. It is a chicken and egg argument really but I think what we have got to do is to make sure the public transport system is more effective and indeed that is what our White Paper is about. The emphasis is really on integration. How can we get more out of our transport system which will make it more efficient, encourage less use of the motorcar and more efficient use of the transport system? Of course, within that framework we have to look at the fiscal framework. This year the Chancellor has made clear that he will increase road fuel duty by on average at least six per cent a year in real terms. The previous administration had started along this road as well. To that extent we think there is a role for that to play, although the Chancellor has more statements to make about measures that might reduce the fuel consumption by encouraging the purchase and use of more fuel efficient cars. That is certainly one way in which the fiscal framework can play its part. Indeed, there have been major reductions in pollution from new vehicles, largely from tighter emission standards that have been brought about within the European Community itself. My friend, the Minister for the Environment, is very much involved with a lot of the negotiations that have been going on in the Community to get more efficiency, as you suggested in your report. The

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government has introduced or announced several fiscal measures to encourage less polluting vehicles and the review of the fuel duty rebates, consideration of measures to encourage cleaner buses, an incentive for cleaner buses and lorries, plays an important part in that. We have concentrated a little bit on public transport but if we look at the buses and the lorries there is certainly more to be done there. At the European level, the EU Member States have agreed a strategy for reducing CO2 emissions from new cars. A key part of this is the voluntary agreement with vehicle manufacturers to reduce the average fuel consumption of new cars by 30 to 40 per cent. I think the agreements at Kyoto are going to put extra pressures on that and I am sure that we will be looking more and more at that within the Community and indeed under the British Presidency we have combined, for the first time I think in the Community, the Environment and the Transport Committee which will meet on 27 April. It is the implications of this for the transport system that we will be debating with the commitments that we have at Kyoto. I think the cleaner vehicles task force announced by the Prime Minister on 14 November is a partnership between the Government and industry which will encourage the production and sale of cleaner, quieter, more fuelefficient cars. Many of these things were very much noted in your report, we have acted upon them, we think there is a lot more to do, but the impetus which will come from a commitment to legal targets will I think concentrate industry's, Government's and people's minds as to how we get a more efficient use of our vehicles.

25. I am grateful to hear your commendation of our report and also, if I can put it this way, your commendation of the motor manufacturing industry for the very successful work they have done in improving the exhaust emissions on new cars. As a supplementary question to that though, do you have any thoughts on tightening the screws on the existing vehicle fleet, so that they have to also meet higher exhaust emission standards in order to continue to run? This could be done through the MOT scheme.

(*Mr Prescott*) I think we have already announced measures on local authorities being able to check against bad emissions. Michael, would you like to say something about this because you were actively involved in that programme?

(*Mr Meacher*) The Government is currently running seven borough or local authority pilots with regard to exhaust emissions in which vehicles can be stopped and summarily fined up to £60. That is one measure. Of course the MOT is indeed an instrument for ensuring that better emission standards are achieved, and that certainly can be tightened and it is something we are looking at. There are also measures in the EU to ensure there is improvement in fuel efficiency as well as vehicle emissions. There are currently, and we shall be discussing this at the Environment Council tomorrow, proposals with the manufacturers to reduce CO2 emissions from cars which are currently about 155 grams of CO2 per kilometre and which we want to bring down 20, 30, perhaps even 40 per cent, and it is a case of whether one does that through tough negotiations with the car manufacturers or the threat of regulation. There is a whole panoply of measures which are designed precisely to achieve action in the way you want.

(*Mr Prescott*) And indeed the national air quality proposals we are making, which is building upon some proposals of the previous administration, will put extra pressure to get improvements in these areas.

Lord Kirkwood

26. Deputy Prime Minister, you did make the point about getting an integrated transport policy being an important way of reducing the number of cars on the road and the fuel emissions coming from those cars. There was one recommendation made by the report from this House on removing altogether the tax on vehicles less than 1500 CCs and that was not taken up in your reply. There is a widespread feeling that this sort of gradualist approach of small increments, for instance, on the fuel tax is just absorbed by the population, they expect it and they put up with it, and that what is needed is a dramatic change, maybe a 100 per cent increase in fuel tax. Things of that nature might shake people out of some sort of normal getting-used-to-it attitude and make a real decision about whether they want this second, third, fourth car or maybe reduce to a bicycle.

(*Mr Prescott*) A lot of pain will produce a lot of gain: that is an interesting argument. I think what we have to try and do is actually do what you are saying in a certain way, and we have started it with the various excise duties and vehicle excise tax and duties we use on lorries and buses, and looking at different taxation arrangements that might apply to cars, and the Chancellor himself would have to make a judgment about these matters. I can assure you that what we want to particularly concentrate on is making sure we provide a public transport system which people want to see and use. To give an example, if you travel to work here in London, you see the buses going along two lanes on the road here and you see most of those buses with no more than an average capacity utilisation of something like 20 per cent, and all the cars are going along the bus lanes, and the bus lane stops across the river and you have to wait until all the cars go into the roundabout and the bus has to wait, it gets delayed, it is unreliable and it is not utilised very often. It does seem to me that if you gave the priority to the public transport system, it would not cost you a penny and it would have priority right along the way, the bus could become more reliable, it could do quicker journeys. Of course it does mean you give that one piece of road entirely to the public transport system. The cars then may take a little longer coming in, but drivers would witness a public transport system which was reliable, moving, increasing its capacity, not cost us a great deal. And it would lead to a reduction in the kind of emissions which would come if more people were using public transport. I think we can do that without an awful lot of pain. It is true you would have to say to the motor vehicle, "If you get into the bus lane you may face an awful lot of penalties", and at times I even advocate the possibility of fines or even licence endorsements. I think we are going to have to make some pretty fundamental decisions and many

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of these matters will be discussed in our White Paper because we have to make those changes. We now have a legal target of greenhouse gas emissions to take into account, and I think the public are in the mood for fundamental change, and I am in the mood to give it to them.

Lord Jenkin of Roding

27. When the previous Chancellor announced that the landfill tax should be hypothecated towards various forms of helping the pollution problem, this attracted wide interest and was a major breach of what had hitherto been an absolutely immutable Treasury doctrine about hypothecation. I wonder whether it would be part of your advice to his successor to try and introduce this in other areas, perhaps in the field of transport?

(*Mr Prescott*) Can I invite my colleague to respond to that?

(*Mr Meacher*) I can remember, Lord Jenkin, so many times in the past when I was asking you questions and it is a pleasure now to have the opportunity to reply to one of yours! Can I start by saying that the Treasury, neither in the present Government nor in any previous Government, and I suspect in any future Government, has not generally accepted the case for a general hypothecation of taxes, and as I say I am not really expecting that situation fundamentally to change. But I do think there is a case for either presenting or securing the acceptance that one should look at a measure of hypothecation in some cases. I think the windfall tax is an obvious example and one which I think has been widely accepted. Another, which is certainly a direct form of hypothecation in the environmental sphere, is the non-fossil fuel levy. But, of course, you mentioned the landfill tax and in our view that is a good example of how to achieve some—in order to avoid this contentious word hypothecation—earmarking or recycling of revenues to the environment without hypothecation. It is not hypothecated because the companies do contribute some money and the Government does not control the expenditure by the Environment Trust. This clearly has real benefits. The Treasury is content with it—which is always an essential condition for happy government—the companies are tied in to the Trust and the Trust does have a stake in environmental work. So we do regard the landfill tax as a good model on which to proceed in this field. We are looking at its application in other areas. The Chancellor did mention in his first budget that we were looking at a charge for water pollution and we have made it clear that the question of the possible use of revenues which are raised in this area for worthwhile expenditure, including in the environment, is an issue which is open. So we think the case for some revenues from green taxes being used on the environment is a strong one and it is one which we would like to develop within Government. Of course there are alternatives, in the case of the landfill tax it was a matter of recompensing some of those who had to pay it by a reduction in Kingdom, their business taxes, national insurance contributions for employees, or of course there is always a case for helping the poorer sections of the community in terms of reducing the charges to the lowest paid consumers. Those are the other alternatives. In general it is a good example and it is one we would like to develop.

Lord Howie of Troon

28. Getting away from hypothecation, which I would like to see applied to distilleries by the way, but that is another matter! In the Chancellor's Green Budget, did he not hint at a tax on quarrying? As someone very interested in the construction industry this greatly interests me, since aggregates are important in concrete and so on. I wonder if you could tell me just a little bit about what was in the Chancellor's mind or what you think might be in the Chancellor's mind?

(*Mr Meacher*) Even if I knew what was in the Chancellor's mind I am absolutely prohibited from revealing it, but as it is I do not know what is in the Chancellor's mind other than the fact that he has made clear that one of the areas, and it seems to me for very good reasons, he is looking at is the whole question of the use of virgin aggregates. From an environmental point of view there is a case for giving an incentive for greater use by the engineering and construction industry of secondary aggregates. I am sure that behind his notice that he has given that he is looking at this is his wish that greater use of secondary aggregates, less despoliation of the environment by primary quarrying, is certainly something that we should in general support. That does not mean to say, of course, that primary aggregates will not continue to be quarried, of course they will, and of course they will continue to make a contribution, but we should not rely exclusively on primary aggregates and they should not be the first resort in terms of building. I think it is to get that balance right that the Chancellor is looking at this, as they say, economic instrument rather than tax.

29. I see. But, of course, the Chancellor must be aware that secondary aggregates have been in use for at least 150 years or so, there is nothing new in this and in fact some people regard quarrying as rather nice.

(*Mr Meacher*) I am sure quarrying has great advantages, particularly for the construction industry and those who are employed in it, but it equally does have serious offsetting disadvantages in terms of the impact, sometimes on areas of outstanding natural beauty in the green belt as well as in other areas. No-one is suggesting that this is a novel practice. All one is saying is that we need to look again at the balance and the economic rationale between the use of secondary and primary aggregates. I think the Chancellor's concern is to shift the balance of economic interest in favour of secondary and to some extent against primary.

30. Let him not go too far.

(*Mr Meacher*) I note what you say.

Chairman

31. Deputy Prime Minister, we were interested to see the establishment of the Environmental Audit Committee as a House of Commons Committee and pleased to see that it will be able to share evidence and hold joint meetings with other committees of the Commons and the Lords, which we assume will include this Committee, so we look forward to a fruitful interaction with that Committee on occasions. I wonder if you would like to tell us whether you see that Committee as having a positive role across government in, for example, the development of energy efficient alternatives?

(*Mr Prescott*) Yes, my Lord. I confirm right away that of course it will be able to share evidence, we would like it to do so, and work with your Lordships in this House. If I can say one or two words about our approach to it. We thought it was important that environmental issues were given a proper airing and that government should be judged as much on their delivery of policies as on the rhetoric and promises. We thought that perhaps to encourage a much tougher attitude for public debate and judgment on government we might set up and establish what we say is a government-wide Environmental Audit Committee. The government can set its targets, as we have done with the 20 per cent reduction in CO2, and also I think it is important then that we should be judged on that promise and see just how effective we are about implementing it. After all, once that target is set for something like 2010, I think in the intervening years it is important to see if you are on target to actually achieve what you have said you want to achieve. We thought there were two or three ways that we wish government to be examined in this process on environmental issues. One, of course, is the establishment of the Cabinet Committee which indeed the previous administration had. We would like to think that ours is a more powerful one, it has given the environment greater importance, but I leave that for the possibility of the charge of rhetoric; it is there. The Cabinet Committee will be working with all the departments to make sure that many of the policies now do take into account environmental issues at the early stages of their proposals and their ideas. The second point, therefore, was to establish an Environmental Committee in the House, which we already have. The Environment and Transport Select Committee will be able to judge the sorts of things we are doing, and indeed to assist in that process we thought it was important to bring the two Departments of Environment and Transport together, which we have done. I think that is going to make an important difference, particularly in regard to integrated transport and environment matters because for the first time we have these two Departments of State being brought together whereas quite frankly they did not appear to work together too often in the past. When you look at planning and look at transport and environmental issues it is important that one department has overall surveillance and implementation of that policy. The Environmental Audit Committee was something that we envisaged very much like the Public Expenditure Committee, where you have the practice of the chairman being selected from the Opposition Party, which has now been just been appointed, I think it met for the first time on 25 November and John Horam is now appointed as its Chairman. It is to scrutinise the policies and actions for sustainable development and the environment government-wide. I think I said at the time he was appointed that I would like it to be a terrier to bite our ankles, and I can see it playing that role, its job is to keep us in check and see exactly what we are doing. The Committee's remit is to scrutinise how far the policies and programmes of the government departments, and indeed the non-departmental public bodies which are quite important, contribute to environmental protection and sustainable development and to audit their performance. They are not like the Environment and Transport Committee, they are like the Public Expenditure Audit Committee. They have a specific job to do, they can call for all papers, and I think that they will play a very valuable part in making sure that not only are the government's actions up to scratch in achieving the environmental targets they have set for themselves but to encourage very effective public debate in the way that the Public Accounts Committee have been able to do in the areas of the economy and industry.

32. Do you think that this Committee will have in mind the argument about gain and pain that you advanced yourself this afternoon?

(*Mr Prescott*) Yes, I am sure they will because often it is the case that people think the application of policies is more about pain. I think if they can have a more balanced debate about this, and I am thinking of the Kyoto Agreement, that should now begin to enable us to look at what gains we can get from this opportunity. Committees like this will be able to measure in a way like the Public Accounts Committee does and make a very serious contribution to the debate in the necessary changes that undoubtedly will come, once we have set this framework of commitment to targets.

Lord Flowers

33. Deputy Prime Minister, this is a potentially very important development indeed but may I ask whether the Committee will be expected to form not just a particular view about particular proposals or activities, the effect of the steel industry on the environment or something like that, but will also be expected to take an overall view which tries to balance the pluses and minuses of various activities and come to a view about what is the best practicable environmental option overall?

(*Mr Prescott*) Yes, I think it should do. I hope it will do but that is for the members of the Committee itself. One important job that it can do from my point of view is that when we say that all legislation will now take into account the environmental consequences of its action they will be able to examine each of the sections of my department and also every other government department as to how they are achieving those environmental objectives. To get the best assessment they need to have an overall objective to be judging them against. That may be controversial, it may be a different one from the one the government is pursuing. If the government says that it wants to achieve a target, if I can go back to the Kyoto one, and looking and examining that, they can make a judgment whether

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they think this is the best way to be going or whether government is seriously doing all it can. It is that kind of assessment that we are looking for it to be making. It is a very powerful House of Commons committee, it is in the mode of the most powerful Committees of the House and we will leave them to make their judgment.

34. I make the point because sometimes in the interests of an overall reduction in pollution you may agree to increases in pollution from individual items because overall it has nevertheless reduced.

(*Mr Prescott*) It is precisely the principle embodied in the bubble in Europe itself, that in some areas because of the nature of economic and social policy you may decide to pursue a certain policy. I suppose one could argue that is part of the argument on the coal industry, if you like, you could take a clinical view and say it would be better to close the whole coal industry down and you might be better off in regard to CO2 emissions, but I am not sure that is correct. We would have to argue it. But if you want to balance energy policy, you must measure against that view. There is an area for disagreement, I am sure, between all parties involved. I think that it is for the Committee to examine the very philosophy that Government adopts and whether there is justification for why it perhaps does not pursue one policy at the expense of another.

Chairman

35. The Public Accounts Committee is backed by the National Audit Office. What support will the Environmental Audit Committee receive of that kind?

(*Mr Prescott*) They will be available to the Environmental Audit Committee as they are to other Committees at the present time. We see it in exactly the same frame as the Public Accounts Committee.

Baroness Platt of Writtle

36. What assessment has the Government made of problems associated with housing development on brownfield sites and how will the Government be encouraging builders to use such sites for their developments?

(*Mr Prescott*) This, indeed, is a most controversial question at the moment, and one all Governments have to face. As you know, we inherited a policy that suggested a balance for this use of greenfield and brownfield sites for the increase in projected demand of 4.4 million houses. The previous Government took the view it should be 50 per cent for greenfield. We have started the whole process of consultation on that and we are now taking into account all that consultation and shall shortly come to a judgment about it. In fact I go from this meeting to discuss the very implications of that question for us to formulate our views. I think there are some other things we have to recognise, and I did say something at the weekend to which a certain amount of publicity was given, in regard to how we can develop our city centres much more effectively and the so-called brownfield sites. There are many sites we can use for housing, and there are a number of things which deter people from using them. One is the tendency to feel that a greenfield is a better site to be rather than the centre of the cities, but I think that this is because our cities have become less attractive and people do not want to live in them. There is an awful lot more we could do. Indeed, under the previous administration's regeneration schemes, they have made a number of our city centres more attractive than they were before and a lot more work could be done there, quite frankly. If you look at some of the brownfield sites, they are very expensive to bring back if they are contaminated land. The Millennium Site at Greenwich cost something like over £120 million just to de-contaminate the land. There are not many builders who want to come along and take on that price and then build houses as a cost after that, so there clearly is a role for Government. It is that extra cost of developing the sites that we have to take into account. If I can use the example of the Millennium Site, when we first came into Government, looking at the prospect of the Millennium Site, I did suggest that one of the things we could do as a department was look at one part of the site and develop it as housing, and develop, as I call it, a kind of Millennium Urban Village concept. This would involve looking at it as a site which gives the best energy, better water conservation, looking at the provision of small shops, education, health services, schools, all those things which do not generate the demand to get into the car to move from A to B, so it would generate less car movement, which would be very acceptable. We have commissioned a lot of architects to do that. It is a site of about 900 houses and I think it would be ideally suited to be taken around to local authorities to say, "You could all have sites of this type". It does not just have to be local authorities, it could be public or private development, to develop this concept as an urban village within the city centre to make some of our brownfield sites more attractive with a whole new concept in architecture and urban living, which excites us all to want to do. At the same time it would be a better prospect from an environmental point of view, taking into account all the demands on the transportation side. For example, I have talked to the Department for Education about having schools which are smaller, a kind of village concept with technology, and the same with health services. Can there be a health and medical treatment which uses advice with modern technology which many countries are now beginning to use, so the very expensive and scarce resources can be used much more effectively? What is wrong with going back to the old policeman's badge on some house in an area which is identified with the community? I think we have to look back again at how we can make our communities more secure, environmentally better and make cities more attractive, so the brownfield site does not become the second choice site which people do not want to go to, but the place people like to live because they enjoy the environment which these developments can bring about.

37. One has to think in terms of different sorts of sites in that there is obviously a contaminated site at Greenwich, and I know in that particular case British Gas had put millions of pounds away to deal with it, but there are brownfield sites which are not

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contaminated and which could be planted and made very attractive and, as you say, it could mean you were not having to use public transport for such distances to come in from beyond the green belt. If one starts to develop the green belt, you start an irreversible development and after that it has gone for good. Also city centres, particularly where they have closed circuit television, are now much more secure, and one has only got to drive through any town to see a lot of empty accommodation over shops. It seems to me that needs to be looked at very carefully in detail, possibly by local government because they will know the local situation.

(*Mr Prescott*) I think there are a number of opportunities we can take and examine. It will be part of our Government response to the Household Growth Green Paper, which addresses itself to these matters, to look at the obstacles to the re-use of these sites. It was an interesting point you made about using empty housing or places above shops, I have raised that matter with the big supermarket and development people. Could they not begin to use the quality of their product in smaller units in the centre of these urban developments so they are not superstores, but they can get the quality and some of the range of products there for people who can go easily to it, instead of having to go in the car to their greenfield site as they do at the moment. They put to me the point, "Yes, we could probably do that, provided we can develop above the shopping centre, so it was not just a shop, to develop housing above." I do not know. There are a number of interesting aspects we should take into account and that is why we are reviewing a great deal of the planning policies to see if altering any of those would assist in that process and make these sites more attractive. Even if they are not contaminated land, they can still be used more effectively, and we are spending a lot of time looking at that. If we want to do something about getting people to travel less by car, one of the things to do is to see that the public transport system is better utilised in the city than it is going out to the green belt areas, where we have to meet their demands as well.

Lord Soulsby of Swaffham Prior

38. In connection with your 4.4 million housing units, one of the issues is the question in the future of water supply and, coupled with that of course, the question of sewage. Do you feel there is an adequate policy over the next 20 years for the provision of adequate water and sewage in the south and south east areas which are the areas at present that suffer most from drought?

(*Mr Prescott*) Michael is our water king at the moment, so perhaps he could answer the question!

(*Mr Meacher*) You are quite right that it is the south east which is most threatened by drought which may be connected with climate change. There is no doubt when nine of the ten hottest summers since water records began 330 years ago have all been in the last ten to fifteen years, and it is a potentially very dangerous and worrying situation. Our concern is not only about the quality of the supply of water but the availability of supply. In answer to your question, it is of course the responsibility of water companies to develop and maintain an efficient and economic water supply under, I think, section 37 of the 1991 Water Industry Act. They are certainly looking at the situation against the scenario of climate change and a gradual but steady increase in household consumption of water. I do know from contacts with water companies that they are now preparing revised estimates of yields from water resources. This was set in hand after the 1995 drought which frankly caught most of them out. They are now testing that against various climate change scenarios, so I do believe that this work is in hand. Another way of answering the question is that prospective developments should of course be planned together with the service providers and that is why the current planning guidance does require local authorities to consult with infrastructure providers including water supply companies when they draw up development plans. That is obviously sensible and that remains the position. That ensures that development does not exceed the capacities of the existing or planned water supply system to meet projected demand. If I could just say there is a third issue here which is we are shortly coming up to the quinquennial review of water pricing by the Office of Water Services, by the Director General, Mr Ian Byatt, and certainly one of the considerations when he will be looking at the price regime to flow from 1 April 2000 is precisely what measures are necessary to ensure that the demand for water is matched by the supply of water. That may well require in a number of cases increases in investment, either in existing infrastructure or, as the water companies would insist, in the long-term provision of new reservoirs. Those are all considerations which he will be taking into account quite rightly.

Lord Flowers

39. You talk about global warming and the companies being bothered about that, but would it not be a good idea if they were more bothered about leakage than about global warming?

(*Mr Meacher*) My Lord, you have taken the words out of our mouths.

40. But you did not utter them!

(*Mr Prescott*) Or the money out of their mouths!

(*Mr Meacher*) As your Lordships will know, we set up on 19 May, only two and a half weeks after winning the election, a water summit and the Secretary of State and I held a meeting with the water companies and there was a ten point plan which I have to say was agreed and which I have to say with respect to the water companies they have diligently so far sought to implement. In particular, the biggest issue was unquestionably that they had to do a lot more about water leakage. As you say, it is frankly a matter of consternation and disbelief amongst the public that something like 800 million gallons of water are lost every day before they reach customers' taps as a result of leakages. To talk about drought and the need for the public to conserve water would I think invite a raspberry unless the water companies were taking much greater action. I am glad to say that the Director General of Water Services has now

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instituted in effect mandatory new targets which will reduce the overall levels of leakage in this next year from about 28/29 per cent to about 23 per cent in one year. That is the kind of pressure which we want him to keep on the water companies. We believe that that level needs to come down still a great deal further. There is a lot of discussion in the water industry about what constitutes an economic level of leakage which I might say is a—[*laughter*]. I am glad to see it does invite some mirth because one might say it could be a good deal lower than the 10/15 per cent which it is often supposed to be and indeed from an environmental as opposed to a commercial concept we would like to see it go further. Certainly we want to see the level of leakage come down much closer to that sort of level which hardly a single water company in the country, with the possible exception of Anglian Water, has yet reached. That is an absolutely central priority over the next four years.

Lord Soulsby of Swaffham Prior

41. Does the government have any plans for a longer term national water resource strategy, moving water from places of good supply to places of poor supply?

(*Mr Meacher*) Yes. We have announced a number of reviews. First of all there was actually the ten point plan and I think one of the elements in that is the bulk transfer of water. Our view is that the transfer over very long distances is probably not economic. We have the Kielder Reservoir. One cannot move from Northumberland to the South East without quite enormous cost and with other logistical problems. The movement of water in bulk between adjacent water companies is certainly something that we are asking them to look at and already there has been some move, I think, on market principles for that to begin to happen and we would want to encourage it.

Lord Dixon-Smith

42. You discussed the issue of the possibility of new reservoirs, but in the South East of England where water courses are at unprecedentedly low levels and, with the notable exception of London itself, water tables are generally receding, building reservoirs is not going to actually help anybody at all because there is nothing to put in them already, the existing reservoirs cannot be filled. Certainly as far as Anglia is concerned and Essex we are depending already on one cross-basin transfer. Would not the question of water transfer from region to region work rather like a domino effect? If you transfer from one region further west into the eastern region and then of course from one further west into the second one and so on, although you would not actually ship water perhaps from Kielder down to East Anglia the effect nonetheless would be somewhat similar?

(*Mr Meacher*) I would not altogether agree with that. I think that there are a number of examples where water plentiful companies are cheek by jowl with water deficient companies and I think that is to do with the geographical location and with the nature of the geology. I do think there are examples where water can be transferred, can be borrowed if you like, from a neighbour not very far distant in a manner which is quite helpful. I take the point that if water is overall in short supply, if you move it from one area to another all you are doing is transferring a limited supply of water, that is perfectly true. That is the reason why we have had to conserve water overall much more, water companies as well as individuals. I do believe that there is some gain to be achieved in bulk transfers. As to reservoirs, although the planning lead time can be as much as 20/25 years in terms of all the planning inquiries and that is why I think the water companies are keen to see this as part of the overall strategy because of the long lead time, I do think reservoirs have, or can have, a role to play provided the water companies are playing their part in reducing leakage on a greater scale than they are yet, because reservoirs will enable water to be conserved without extraction from rivers and water courses to a level which at the present time can often do severe damage to environmental habitats and wildlife. I think we are certainly concerned about that. We do have a review which is currently looking at precisely that issue. There are no easy answers. I appreciate where there is global warming and a gradual increase in consumption by households, there is a pincer movement on the water companies and on the general population which we have got to find the best way of resolving and therefore there is not a single panacea, I think we have to look at a whole range of measures. The water companies primarily must play their part in reducing leakage, that is the central question.

Lord Howie of Troon

43. One of the things about leaked water is that it pops up somewhere else and goes back into the supply system, but let us leave that to one side. It also helps with the water table, though that is no great argument in its favour. I wonder if in terms of the long-term supply of water you have any views on the desalination of sea water which is pretty well limitless?

(*Mr Meacher*) That in the long-term I think is certainly something we might have to consider. It is certainly not in the government's short or medium term plans. It is, I believe, an extremely expensive option.

44. There is an energy cost.

(*Mr Meacher*) There is also an energy cost. I do not believe that we are yet at the stage where that is economic or sensible. I think there are other much more obvious measures which we must pursue much harder in the short term.

Lord Craig of Radley

45. Deputy Prime Minister, some of the issues we have just been discussing about the transfer of water or the problems which NIREX had in establishing their case for their facility, run into the problem where regionally-viewed issues are not necessarily the same if you view them from the national perspective. There is a well-established arrangement for dealing with trunk roads or developments of that sort and I wondered whether the Government at this stage had

Lord Craig of Radley *contd.*]

formed any policy about tackling this dilemma? It seems to me your particular Ministry is well-structured to take account of the many complex issues. I would be grateful to hear what your views are on this.

(*Mr Meacher*) That is certainly so. I believe that the combination of powers and functions within the Ministry as it is constituted now give unprecedented opportunities for resolving matters of this kind, and I hope we are making, and will continue to make, some very important advances in the handling of some of these basic issues. You mentioned one of them. There are, of course, mechanisms for such proposals to be called in in the normal way—examined by a public enquiry and decided by Government ministers. That has always been the system and it works pretty well. It is a way of ensuring a local or regional issue which has national significance can be over-ridden by the Secretary of State taking a national perspective. I think that is extremely important. The concern of course with that is that the process often takes too long and we have actually been looking at ways by which the process can be speeded up, can be modernised, whilst at the same time, of course, ensuring that genuine objectors do have a proper opportunity to make their case. Can I agree with you that I think there is a need for more of these decisions to be taken at regional level. This is a strategic view which the new Government has taken and that of course underpins the new White Paper, *Building Partnerships for Prosperity*, precisely to help identify regional priorities. The other way in which the regional dimension should be brought more into view, which is a view we take too, is that we are publishing a consultation paper in January, precisely to set out the new regional planning guidance system which will give regions greater organisational responsibility for determining the future of their areas. So our view is that the national perspective is maintained by the principle of calling in, which is what it has always been, but there are very good reasons for trying to ensure some of these cross-cutting issues are resolved at the regional dimension perhaps more than has happened before.

Lord Flowers

46. Mr Meacher, do you believe the issue of the management of the disposal of nuclear waste can be settled at a regional level?

(*Mr Meacher*) No, I do not. I think this is primarily an example in which there has to be a national decision. That was the view taken by the previous Government. I happen to believe the decision taken by the Secretary of State was correct, and whether or not it was correct it was certainly right he should take it rather than it should be taken regionally.

Lord Howie of Troon

47. We have recently heard about the Regional Development Agencies, Deputy Prime Minister, and I am wondering to what extent part of the objective, though obviously not the whole of it, is to help develop technology-based companies throughout the country?

(*Mr Prescott*) I am glad that at long last the English regions are to be given Development Agencies. It is not before time. It has happened in Scotland and Wales and it is a very important part in developing the indigenous economies. I have always believed that and I am pleased to see that we are under way now implementing the Regional Development Agencies. I think as we see them they will have a general objective of furthering the achievement of sustainable development, which is what we have talked a lot about here, promoting business support, investment and competitiveness, and we have included competitiveness. It is not a body going around offering subsidies to different bodies to do different things, it is trying to co-ordinate a great deal of public and private activity that is beneficial to the region. If anybody looks at the regional economies it is necessary, and I say all regional economies. Ten or 15 years ago or 25 years ago there was a tendency to judge that all assistance and help should be given to those that had the higher levels of unemployment. The scale of unemployment, the scale of developments are varied so much in the regions at the moment that each one of them requires a Development Agency in our judgment, whether it is in the South West, the North West, the South East or the North East. Indeed, that is the thinking behind it. The exact nature of what the RDAs can do to further the development of technology based companies has as yet to be precisely defined and relies to a large extent on the requirements of the Department of Industry and ourselves. In a way we are creating the machinery at the moment, as they did in Scotland and Wales, although their terms of reference were entirely different. I thought the Scottish terms of reference were far more successful than the Welsh. We have modelled ourselves more on this interventionist role, if you like, but working within a different set of economic circumstances. We do wish to see the Regional Development Agencies as intermediaries in the process of the greening of business. The government has a programme, talking about how you might develop it, and the RDAs will probably have some part to play in working with industry on some of our energy targets and encouragement and using that technology in that way. At the end of the day persuasion is still needed to convince companies, they are not the ones in any way that can direct and it is not our intention that they should. It is by persuading them that good environmental practice can equal good business. Even businessmen themselves now fully understand that message and that came out of the meeting that the Prime Minister called at No.10 about ten days ago prior to the Kyoto Conference talking about what strategies businesses could adopt to achieve these objectives and those discussions are ongoing. In this context the Regional Development Agencies will not be concentrating on technological based companies. However, along with other government initiatives aimed more at the development of such companies, the Regional Development Agencies will certainly have their part to play. Indeed, the Committee might be interested in the prospect for newer and environmentally friendly technologies. If so, the Advisory Committee on Business and the Environment, which is a very good committee that

Lord Howie of Troon *contd.*]

we find ourselves working very closely with, particularly in their interim report on Climate Change which was given to the Prime Minister, highlight solar power and carbon dioxide sequestration as places where the necessary technology exists. We are not developing it as effectively as we could and perhaps that is one way by which we could help develop them. I think the RDAs could play a part in that. I believe that United Kingdom technology-based companies should consider how they can contribute to developing such ideas towards the marketplace. It is often the case, is it not, that where we have taken the lead in something, in this case the environment, all too often we do not follow it up with the advantages that both Japan and America clearly see that come from a much more environmentally sensitive community that desires new technologies to meet the new objectives being set by environmental concerns, for example at Kyoto. We also believe that being regional bodies the RDAs can do something much more effectively which I do not think we have achieved before, and that is when we look at the educational infrastructure in our regions there are many universities and educational institutions that do little to help their regions. They are all set up on their side, they do not look at the nature of the economy or the future economic development or help develop a strategy for the region. Regional Development Agencies now will be playing a part in the development of the Regional Plan. I think this is one body that could call upon those kinds of information centres, the universities, etc., to help develop a strategy in the region. It is an asset there that lies dormant, it has not been effectively used, it concentrates largely on just the teaching of students, which obviously one sees as one of its main roles, but it has something to contribute to the community and one would be hopeful looking at these in a regional dimension that a body like a Regional Development Agency could begin to co-ordinate that kind of asset for the development of the community and the regions.

48. That was a pretty wide overview of the role of the Regional Development Agency.

(*Mr Prescott*) I am a wide over man!

49. Do you see this to some extent as self-help on the part of the companies or do you see the Regional Development Agencies setting up a plan and then giving the companies the boost which they might or might not require?

(*Mr Prescott*) No, I see them working with companies. Every regional economy is different. If you look at the South West economy or the North West economy it is an entirely different one, and these Agencies are flexible enough to meet the demands of those regions. I think that is important. They need to be accountable in the regions. They help to develop the kinds of regional strategies that will be there and they even have to take into account the jealousies that exist within regions. It is not the purpose that in the name of decentralisation we decentralise down to regions and then centralise the regions. There will be great resistance to that. I can remember two other counties, years ago when I was regional development spokesman, and I went to Devon and Cornwall and it was quite clear—meaning no offence—that Devon and Cornwall had jealousies between themselves but both together could hate Bristol. I think the great difficulty is that if you try and concentrate one body in one region and say, "That is your only body", you will make a mistake. You will not get the co-operation you require. The terrain is so different, the economic circumstances in which they operate are different, and we must be careful not to burden them too much. If you put too much on them they become ineffective. We want them to be powerful tools. They are accountable. But when you look to these bodies developing public and private facilities, their reputation will have to be established in the city and that takes a bit of time. They will become bodies with authority which will be able to endorse public and private projects, but they will need time to develop their authority in that area. So I am quite prepared in the establishment of these Development Agencies to risk criticism, they will have to crawl before they walk, and walk before they run, but they will play an important part in the development of our regions.

Lord Jenkin of Roding

50. When I held part of your job I was extremely jealous of the power of the Secretaries of State for Scotland and Wales, who of course had complete control of their budgets and could therefore switch resources between programmes so as to help their regional priorities. The same was not open to the Secretary of State for the Environment, as he then was, in England. To what extent are you going to be able to overcome this problem and allow the flow of finance from a number of departmental budgets to help the Regional Development Agencies? How is it going to be done?

(*Mr Prescott*) I think the development of decentralisation is going to lead to greater transparency of public accounts, and not before time to my mind.

51. It is not a question of transparency, it is a question of powers.

(*Mr Prescott*) I know, but I do not suppose that you, as Secretary of State for the Environment, knew exactly how the money went between different departments and different regions. I do not at the moment, so I suspect you did not have that. I think that transparency is quite important in the jealousies which can arise between Scotland, Wales, Northern Ireland and the English regions, and it tends to manifest itself in inward investment. I have recently been to Japan and I saw an awful lot of material about Scotland and Wales but not about the English regions, albeit an outside job was being done by Inward Investment, and many of them feel they do not get a fair break. I think the development of regions and decentralisation is going to make quite a difference to the power structure of Britain. I think that once these regional bodies begin to be more accountable to, what I believe should be, regional government—we will wait and see if that comes about, we have to test opinions on that—I think they will be very powerful political forces in their own right. When you consider that Scotland and Wales

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have populations less than each of the English regions, I think it will begin to change the structure and accountability within our economies and indeed the distribution of public resources.

Chairman] Deputy Prime Minister, we have kept you a few minutes longer than you had promised to stay. Thank you very much indeed for coming to speak to us. Minister, thank you too.

Government Response to the 1st Report of the House of Lords Select Committee on Science and Technology, 1996–97: Towards Zero Emissions for Road Transport

INTRODUCTION

1. The Government welcomes the report "Towards Zero Emissions for Road Transport" produced by the Lords Select Committee on Science and Technology. This report makes a valuable contribution to informing policy on vehicle emissions, through a thorough assessment of current and future technology and scientific developments.

2. The Government has already acted upon a number of the recommendations in the report. The report predates the fiscal measures announced in the November 1996 Budget by the previous administration to improve air quality, such as the proposed cut in tax (duty and VAT) on ultra low sulphur diesel, the 25 per cent reduction in tax on road fuel gases (liquefied petroleum gas and compressed natural gas) and the announcement that the Government intends to introduce a VED incentive for lorries meeting stringent particulate emissions standards. The new Government has gone further in extending the VED incentive to buses, and freezing in the last budget the duty on gas fuel with a commitment to at least maintain the new differential between road fuel gas and standard diesel. The Government has also played a major role in achieving more stringent vehicle emission and fuel quality standards within the EU. The Government is also undertaking a fundamental review of transport policy to develop an integrated transport policy and aims to publish a White Paper next year.

3. The Government has already demonstrated its commitment to putting environmental concerns at the heart of the decision making process. This was reflected in merging the Environment and Tranport Departments into a single Department of the Environment, Transport and the Regions, the formation of a new Cabinet Committee on the Environment on which Ministers of key Departments sit, and the placing of the environment at the centre of objectives for the tax system, by the Chancellor of the Exchequer in the July 1997 Budget. The Government has already demonstrated its strong commitment to improving air quality and reducing greenhouse gas emissions.

4. The Government recognises that transport is a major source of pollution, particularly in urban areas, where it is the dominant source of many pollutants of concern. A National Air Quality Strategy was published on 12 March 1997, by the previous administration. The strategy sets out air quality standards for eight air pollutants which offer a high degree of protection for human health. Air quality objectives, based on these standards, and with full regard to the benefits and costs of moving towards those standards, are also included for achievement by 2005. The pollutants for which standards are set are benzene, 1,3 butadiene, carbon monoxide, lead, sulphur dioxide, particulates, nitrogen oxides and ozone. The reduction of ozone concentrations will require international co-operative action and the UK will play an active part in the UNECE and EU fora developing strategies for reducing ozone concentrations. The Government is committed to taking this strategy forward. It will also carry out an accelerated review of the strategy, and proposals for its revision will emerge in 1998. As part of this review, the Government will look for more rapid improvements in air quality wherever this is practicable and cost effective.

5. The strategy identifies what current and planned policies will achieve and what further action is required. National policies and measures are expected to achieve current air quality objectives in most areas of the country. Projections show that current policies will result in emissions from road transport in urban areas falling to less than half 1995 levels by 2005, as a result of higher standards for vehicle emission and fuel quality. Nevertheless, in some local areas, national policies alone will not achieve air quality objectives. This is particularly likely in respect of emissions of particulates and nitrogen oxides in congested urban areas.

6. Local authorities will therefore be required to review and assess air quality within their areas. Where, as a result of this process, it appears that one or more air quality objectives will not be met by 2005, the local authority will be under a duty to declare an air quality management area covering the area of the predicted exceedence. An action plan must be produced for the area, setting out the measures for achievement of the objectives. An important issue raised in the Strategy is the most appropriate level for action to combat poor air quality. In some cases, action on a national basis will be most cost-effective. However, in the case of local pollution "hot spots", local action may be more efficient.

7. Climate change is one of the greatest environmental threats facing the world today. The Government has taken the lead internationally and, together with our EU partners, will continue pressing for significant reductions in greenhouse gas emissions from other developed countries at the UN Climate Change Convention in Kyoto this December. The Government will consult after Kyoto about the measures it intends to take to meet its climate change target.

8. To achieve our target is likely to require significant reductions from across the economy. This is expected to include contributions from areas such as domestic and industrial energy efficiency, electricity generating through a large increase in renewable energy and combined heat and power schemes and, of course, transport. Reducing carbon dioxide emissions is a key objective for each strand of our fundamental transport review, ensuring that the integrated transport policy plays as full a part as possible towards meeting our climate change target, including through the development of more fuel efficient vehicles.

9. The Government considers that the Committee's views and recommendations on longer term technological possibilities, such as fuel cells will be particularly useful. The Government is keen to see UK industry continue to build a strong position and a competitive advantage in important new and growing markets such as producing environmentally friendly products and vehicles.

10. In assessing measures for improving air quality, encouraging fuel efficiency and reducing vehicle emissions there are a number of principles which the Government takes into account. It is important that proposals are based on sound scientific evidence and that measures are cost effective and supported by analysis of the costs and benefits. The Government is committed to finding the best solutions to environmental concerns. It seeks to find the optimal mix of policy instruments, which may include economic instruments, regulation and voluntary agreements. The Government recognises the advantages that, in some circumstances, pricing measures can have over direct regulation, in allowing individuals and firms to respond with flexibility and in the most efficient manner. This is reflected in the fiscal measures to improve air quality which were introduced or confirmed in the last budget. In other cases, such as vehicle emission standards, direct regulation will be more appropriate.

11. There can be some conflicts between measures to improve local air quality and to reduce greenhouse gas emissions. For example, the present generation of three-way catalytic converters are able to reduce noxious emissions by over 80 per cent, but are only able to operate at a stoichometric fuel-air mixture which may limit the scope of car manufacturers to reduce carbon dioxide emissions. Having said that, however, the fuel consumption of new vehicles has improved since the introduction of catalysts because of the need to control precisely the flow of fuel. Similarly, diesel, whilst more fuel efficient than petrol, is in some significant respects worse in terms of air quality. Policy in these areas must strike an acceptable balance.

12. The individual recommendations of the Lords Select Committee are discussed below in more detail. In many cases, the Government has either responded positively or already acted upon the proposal. There are some recommendations where more work on the cost effectiveness of measures may be needed, but the Government will continue to review its position on these issues.

5.1 *We recommend that the Government seek to bring about agreement on the Stage III and Stage IV emissions limits as soon as possible, so that industry is given a clear target.*

13. The Government shares the Committee's view that early agreement on European Commission proposals for mandatory Stage III emission standards for passenger cars, light commercial vehicles and heavy duty vehicle engines is essential to provide the industry with clear targets for 2000 and beyond. Some progress towards this objective has already been achieved; with the European Council of Ministers unanimously agreeing a common position on the passenger car directive at the June 1997 Environment Council. This agreement, strongly supported by the Government, sets tighter emission standards to be applied from 2000, and proposes yet tighter indicative Stage IV emission standards to be applied from 2005. These indicative standards will be subject to a review by the European Commission in 1999 and any conversion to mandatory standards will only be set following a full cost benefit analysis. The UK is pleased to support the Luxembourg Presidency that is progressing a similar proposal for light commercial vehicles with the aim of achieving a common position by December 1997. For heavy duty vehicle engines, a proposal from the Commission is understood to be imminent; and the Government will certainly progress this proposal with all possible speed during the term of its Presidency.

14. The Government supports the need for a review, as detailed in the passenger car proposal, to be carried out by the Commission by 30 June 1999 in order to determine whether the Stage IV emissions limits are supported by analysis of the costs and benefits. The Government is playing an active role in this review and will be considering the effect of the indicative Stage IV limits in the light of this review and of its own accelerated review of UK air quality objectives.

5.2 *We recommend that the Government seek to have the European Union testing cycle amended so that it more accurately reflects average European ambient temperatures and driving patterns.*

15. The Government welcomed the Commission's adoption of a UK initiative in the passenger car emissions proposal for 2000, whereby the 40 second engine warm-up period is deleted from the test cycle. This was unanimously accepted as a key element of the common position reached in the June Environment Council. Coupled with the tighter emissions standards proposed, this will bring significant improvements in light-off times for catalysts which will be effective at all ambient temperatures, and in consequence, reduce emissions under all driving conditions. With support from the Government, the Environment Council also adopted a new test to be undertaken during the type approval process and carried out at minus 7° Celsius. This test will require all petrol fuelled cars to be designed to meet stringent standards for CO and hydro-carbons at very low temperatures and will ensure that cars are designed to provide consistency of emission characteristics between different models of vehicle when operating down to very low temperatures.

5.3 *The United Kingdom Government should vigorously promote an alteration to the proposed European Union fuel standards for the year 2000, reducing the maximum permitted sulphur content for both petrol and diesel fuels to 50 parts per million. Further reductions should also be considered for the future.*

16. The Government recognises that ultra-low sulphur fuel may be essential in the longer term for the correct operation of new anti-pollution technologies such as de-NOx catalysts if the on-going development fails to make them less susceptible to the level of sulphur in the fuel. The Government also recognises the potential to improve the efficiency of current technology exhaust catalysts by reducing the level of sulphur in fuel. It was for these reasons that the Government sought the earliest possible mandatory introduction of petrol with 50 mg/kg sulphur during the recent Council of Ministers meeting. Noticeable reductions were secured over and above the Commission's proposals but in order to secure an agreement on the overall package the Government agreed to a limit of 150 mg/kg from 2000. The agreement was based upon the firm indication in the Common position that petrol with 50 mg/kg sulphur would be required from 2005 subject to analysis by the Auto-oil II review.

17. The Government further recognises that reductions in diesel sulphur concentrations to 50 mg/kg may be necessary to achieve the low emissions limits indicated for 2005. The vehicle standards proposed for 2000 do not, however, demand the availability of advanced technologies requiring fuel of this quality. It is also uncertain whether such technologies for diesel engines would be available by 2000. Given the uncertain demand, the uncertain rate of technology development and the scale of investment necessary for the UK oil industry to meet the higher specification for diesel sulphur, in addition to the investment required to reduce petrol sulphur, the Government does not consider that a case has yet been made for a mandatory specification for ultra low sulphur diesel fuel for the 2000 proposals.

18. For the longer term, the Commission will be required to make proposals by 30 June 1999, on the basis of analysis of costs and benefits, for further improvements to the specifications for petrol and diesel fuels, possibly including a significant reduction in their sulphur content, to come into effect on 1 January 2005. The government will be pressing to ensure that the review takes full account of the need to ensure the availability and distribution throughout the Community before 2005 of fuels of a quality compatible with the effective functioning of pollution abatement technologies likely to be required for the indicative 2005 standards. The Government considers such a process, together with complementary proposals for vehicle emission reductions, and taking into account air quality needs, to be the right way forward in determining the need for mandatory standards for ultra-low sulphur fuel from 2005. In the meantime, the Government believes that the agreement reached in the Environment Council will send the right signals to both the oil and motor industries and provide a solid basis for future progress.

5.4 *We recommend that the Government, in conjunction with the European Union and other Member States, should ensure that new fuel additives have been fully tested for safety before introduction to the market.*

19. The Government recognises that fuel additives, especially those containing metallic compounds, may give rise to concern. The Department of Health currently carries out toxicological assessment of various additives as requested by other government departments; and the government intends to continue this existing policy. Exploratory discussions will also be started with the European Commission and Member States to establish existing practice elsewhere in Europe and, if necessary, to consider the scope for European standards to restrict the use of potentially harmful substances.

5.5 *The Committee endorses the Government's policies to test emissions from the existing vehicle fleet, and recommends their early implementation (paragraph 4.10).*

20. Almost all types of vehicle have been subject to a measured emissions check at annual roadworthiness tests for the past five or six years (the only exceptions are a small number of exempted vehicles and motorcycles). Vehicles are required to comply with the emissions performance standards both at the annual

test and at all other times when in service on the road. Enforcement checks carried out by the Department of Transport's Vehicle Inspectorate have, for many years, helped to ensure that commerical vehicles and buses do not emit excessive smoke, and such checks have been considerably expanded in scope over the past few years. The Inspectorate's annual programme of enforcement checks now regularly includes measured emission checks on cars, light goods vehicles and taxis too, with almost 109,000 such checks having been carried out in well-publicised campaigns throughout 1995–96.

21. In February 1996, it was announced that local authorities would be given the power to check vehicle emissions at the roadside. The proposals for doing so initially involve introducing the powers on a trial basis with a limited number of local authorities by early 1998, but the plan is to open up the scheme to all local authorities as quickly as possible.

5.6 *The Committee further recommends progressively tightening the standards required for the existing fleet.*

22. The Government is committed to setting in-service emissions performance standards for the existing fleet which are both practical and demanding. The prescribed emission limit values for both petrol and diesel-engined vehicles have already been tightened since they were originally introduced, so that more modern engines are required to produce lower levels of emissions. This strategy requires vehicles to be properly maintained to a standard which is consistent with the type approval requirements which were applicable at the time of manufacture.

5.7 *We recommend that a "minimum acceptable emission standard" for each class of vehicle over three years old be set up on a European wide basis and that this be reviewed regularly to mirror regulations introduced for new vehicles.*

23. The EC Roadworthiness Directive (77/143/EEC), as amended, already prescribes emissions limits with which all classes of vehicle subject to annual roadworthiness testing must comply. This ensures that minimum emissions standards are enforced by all Member States, at least at the periodicity prescribed in the Directive, which is annually for lorries, buses, taxis and ambulances, and every other year for cars and light goods vehicles, following the fourth anniversary of registration. The requirements of the Directive are kept under review by a Technical Adaptations Committee, which is charged with the task of adapting the test requirements from time to time to take account of developments in vehicle construction.

24. The Government enforces annual roadworthiness standards more frequently for passenger cars and light goods vehicles than required by the directive. First tests are undertaken at the third anniversary of registration (rather than the fourth) and routine testing (MOT) thereafter on an annual basis rather than biennially as prescribed under the terms of the directive. The roadworthiness requirements for emissions from new vehicles (ie most passenger cars first used since mid 1993) are set out in the Department's publication "In-Service Exhaust Emission Standards for Road Vehicles". The booklet, which now exists in its third edition, sets out emission limit values on a model-by-model basis and is specified in the Road Vehicles (Construction & Use) Regulations 1986, as amended, which provides the legal basis to enforce the model based limit values.

25. In order to improve the efficiency of the system for establishing model specific in-use emissions data, the Government has proposed amendments to the 2000 emissions directive that will allow roadworthiness data to be established at the time of type approval. The Council of Ministers recognised the benefits of the Government's proposals and adopted the Common Position on that basis.

5.8 *We recommend that Government departments and local authorities switch to gas or electric vehicles where appropriate to give an initial impetus to alternative power.*

26. A number of government departments and local authorities are already using alternative fuels either as stand-alone initiatives or in conjunction with private companies such as local bus operators. The Government Car and Despatch Agency has introduced a number of gas powered cars and one electric powered car for use by Ministers. The Government recently announced a policy that all new Ministerial cars would now be fuelled by either compressed natural gas or liquefied petroleum gas.

27. The Government is also promoting the greater use of alternative fuels by local authorities and the private sector. The freeze in the tax on road gas fuel at the last budget will have assisted this process. The Energy Saving Trust (EST), funded by the Government, has a project to stimulate the market for alternative fuels and promote greater use of gas and electric powered vehicles where these are appropriate. The first stage of the EST project has been setting up demonstration projects for alternative fuels. The next stage is establishing procurement groups, which will allow volume purchases and hence lower the costs for gas (or electric) vehicles and fuelling or charging infrastructure.

28. The Government will consider strengthening links with local authorities to encourage greater use of alternative fuels. This may also be a measure that local authorities will need to pursue under the demands of air quality objectives in the National Air Quality Strategy.

5.9 *We recommend that the Government establish means for information exchange with local authorities, private fleet operators and the vehicle industry itself.*

29. As noted above, some government departments and local authorities are using alternative fuels. The Government welcomed the interest shown but recognised a general lack of information to guide the purchasing process. In response, it established a £1.2 million alternative fuels field trials research project at the Energy Technology Support Unit (ETSU) to provide baseline information on the potential and practicality of a variety of alternative fuels under typical UK operating conditions. The results, which will be available later this year, will help inform local authorities, government departments and vehicle operators to select the most appropriate fuel for their needs. The Energy Saving Trust have also been active in establishing links with local authorities, businesses, fleet operators and trade associations, in order to develop procurement groups and complementary projects on vehicle infrastructure. The Trust also sits on the inter-departmental steering group, which manages the alternative fuels field trials research project, and advises on dissemination of information aimed specifically at vehicle operators.

30. The Government agrees that a facility for information exchange on trials of alternative fuels carried out by other bodies would also be useful. As a first step a booklet was published in November 1995 setting out a number of trials, operating on different fuels and with a range of vehicles. The trials were both on-going and completed, and contained contact points at each organisation where more information could be obtained. However, in order to ensure that the document continued to provide accurate and up to date information, the publication was added to the then Department Transport's Internet site (the address for the DETR Homepage is now http://www.detr.gov.uk). The benefit of supplying the booklet on the internet is to allow the information to be updated and supplemented by operators and public authorities etc, as necessary on an on-going basis. The Government believes that the above steps should provide a good mechanism for exchanging information and will usefully supplement information exchange by the trade associations.

5.10 *The Committee recommends that the Government should introduce a scheme to give financial incentives to taxi owners and bus and other fleet vehicle operators to replace their vehicles with gas powered or electric vehicles.*

31. Where they are properly targeted and cost effective, the Government agrees that incentives to fleet operators to use road fuels which reduce emissions and improve air quality can be worthwhile.

32. In the 1996 Budget, the then Chancellor announed a 25 per cent duty reduction (equivalent to a tax reduction of 8p per kilogram) on road fuel gases (liquefied petroleum gas—LPG, and compressed natural gas—CNG). This built upon a 15 per cent reduction in the 1995 Budget. In the 1997 Budget, the Chancellor announced a freeze on road fuel gas duty—thereby increasing incentives, taken in conjuncton with the increase in duty on petrol and diesel, for high mileage fleets, vans, lorries and buses to convert to less polluting gas power. The Government is also committed to maintaining at least the current differential between road fuel gases and diesel for this Parliament. This will provide further certainty for manufacturers and operators to invest in alternative fuelled vehicles.

33. Eligible local bus services already receive fuel duty rebate (a grant payable by the Department of Environment, Transport and the Regions). Bus operators using petrol and diesel receive a rebate of roughly 62 per cent of the excise duty that would otherwise have been payable. For buses using road fuel gases, however, 100 per cent rebate is received.

34. The 1996 budget also included a proposal to reduce VED by up to £500 for lorries producing low particulate emissions. This should provide an incentive for lorry owners to fit "particulate traps" or, for smaller lorries, to convert to gas power. A consultation on the technical details of the proposed changes was completed earlier this year, the results of which are being considered. The new Government confirmed that the measure should proceed and that it would also extend an incentive to buses. It is intended that this should be implemented next year.

35. Electrically propelled vehicles already pay lower VED than most other vehicles. VED for electric vehicles is £40 (from 15 November 1997)—except electric motorcycles and tricycles which pay £15. This compares with VED of £150 for private and light goods vehicles.

36. These measures will help emissions of particulate and other pollutants fall significantly over the next 10 years.

5.11 *The Government should introduce an MOT test for electric vehicles.*

37. Electric vehicles that carry passengers are already subject to MOT tests. Other electric vehicles such as milk floats are exempt from testing because of their low speeds and limited risk to road safety. Of course, all vehicles which are used on the road have to be maintained in a safe condition to comply with the law and the Government keeps exemptions from tests under review.

5.12 *We recommend that the duty on natural gas and petroleum gas be reduced to the European Union minimum of 7.8 pence/kg immediately.*

38. The Government recognises that road fuel gas produces markedly fewer emissions of major pollutants than other road fuels. In recognition of this, following on from cuts in duty in the 1995 and 1996 Budgets, the duty was frozen in the 1997 Budget and a commitment was made to maintain at least the current differential between road fuel gas and diesel duty. Due to these measures the duty now stands at 21.13 pence per kilogram. The price at the pump should be lower than petrol and diesel as a result, which will all help offset the cost to consumers of vehicle conversion. The freeze in road fuel gas duty has been made at a time when duty on other road fuels has been increased and the Chancellor has made a commitment to raise road fuel duties by at least 6 per cent in real terms in future Budgets in order to promote fuel efficiency and reduce emissions.

39. The UK rates of duty on all road fuels are significantly above the European Union minima; what is important from the point of view of encouraging use of road fuel gases is the rate of duty relative to the duty on other fuels.

40. The Government will closely monitor market reaction to the duty cuts. Although lower duty can help offset the cost to consumers of vehicle conversion, other measures, such as lower VED for lorries and buses producing very low particular emissions can be used to encourage conversion of vehicles to gas power.

5.13 *The Government should reduce the duty payable on very low sulphur fuels now in order to establish a market before 2000 and ease the process of transition for both motorists and oil companies.*

41. To encourage the production of diesel containing a maximum of fifty parts per million of sulphur, which produces a lower level of fine particle emissions ("particulates"), the then Chancellor announced in the 1996 Budget that ultra low sulphur diesel will be taxed at a lower rate than conventional diesel. This was supported by the new Government and the duty rate for ultra low sulphur diesel was reduced to 39.86p per litre (1p per litre less than the duty on conventional diesel) in August 1997 once the necessary EC derogation was obtained.

42. The measures to be taken to address the levels of sulphur in petrol will be considered in light of the conclusions of the European Auto Oil programme.

5.14 *The Government should reduce the fuel duty payable on biofuels.*

43. The case for relieving biodiesel pilot projects in the UK has not been made. Reasons for this are:

- that biofuels seemed unlikely to be financially viable in the UK without substantial subsidy (about 15 pence per litre at 1993 prices) for the foreseeable future; and
- that the evidence suggested that the environmental advantages of biofuels were at best small.

44. On the first point, while it is Government policy to encourage the development and application of environmentally friendly fuels, the Government is not prepared to enter into long-term subsidy arrangements.

45. On the second point, research is continuing to examine fuels and emissions. The most important is the European Programme on Engine Fuels and Emissions which was carried out jointly with the EU, the motor industry and the oil industry. The report, published in 1996, made recommendations for fuels and engine standards for the year 2000 and beyond. There are vehicle trials ongoing in the UK at present funded by a number of Government Departments to provide more definitive emissions data for the UK situation. A report on those trials is expected later this year.

5.15 *The revenue which is lost through the reduced fuel duty rates should be recouped through rises in the fuel duty on standard petrol and diesel fuels.*

46. In the 1997 Budget the Chancellor gave a commitment to increase the duties on road fuel by an average of at least 6 per cent per year in real terms (1 per cent higher than the previous administrations strategy of 5 per cent real increases every year since 1993), to encourage further reductions in UK carbon dioxide emissions. In principle this means that a reduction in the rate of duty on one fuel could be balanced by an increase in another

in excess of 6 per cent in real terms. However, the extent to which this can be done while still maintaining the overall yield depends on the ease with which fuels can be substituted for each other. The Chancellor will take account of this in the Budget judgement.

5.16 *The Committee recommends that Vehicle Excise Duty be abolished for private and light goods vehicles with less than 1500 cc and that fuel duty rates be increased to recover the lost revenue.*

47. Government policy is that through a combination of fuel duties and VED, the costs motorists should bear should reflect the full economic cost of road use including environmental and health costs (although these may be difficult to determine) as well as wear and tear on roads. Over time, the Government's commitment to increases in road fuel duties averaging at least 6 per cent in real terms every year will mean that the balance of taxation, between VED and road fuel duties, shifting towards fuel use. The Government will continue to keep this balance under review. The fuel duty strategy is the key mechanism by which the Government is seeking cost effective reductions in fuel consumption.

5.17 *We recommend that research into gas storage on board vehicles should be supported as a priority.*

48. Current generation gas vehicles are all conversions of conventional petrol or diesel vehicles. These vehicles are designed with a fuel storage system based upon these fuels rather than gas. However, where vehicle manufacturers take into account gas storage at the design stage, coupled with the increasingly diverse range of storage cylinders available, so acceptable solutions should result which not only keep costs to a minimum but also maintain current levels of luggage and occupant space.

5.18 *Fuel cell research should be strongly supported on a national basis, concentrating in particular on maintaining cell efficiency while reducing the cost and facilitating the mass production of components.*

49. The Government agrees that cost and efficiency are critical issues for the development of commercially viable fuel cell systems. Also that volume production using automated production techniques will be necessary both to meet the demanding cost targets for successful commercialisation and to enable significant market penetration. The Government, in collaboration with industry, is supporting research and development to address these and other issues through the DTI's Advanced Fuel Cell Programme (part of the New and Renewable Energy Programme). The EPSRC Fuel Cells Programme with which it is co-ordinated also provides public support for high quality basic, strategic and applied research in this area, underpinning the DTI's more industrially focused programme.

5.19 *Research into ways of producing hydrogen from sustainable resources should be given priority, especially in view of the many wider applications this might have.*

50. The Government propose to undertake a new and strong drive to develop renewable energy sources in line with our manifesto commitment and has initiated a review of policy in this area. The review will include consideration of what would be necessary and practicable to achieve a 10 per cent of UK's electricity need from renewables by the year 2010 and how renewables can make an effective contribution to meeting requirements for future greenhouse gas reduction commitments. In the meantime the Government's New and Renewable Energy Programme, which assists industry to address both the technical and non technical barriers to deployment, will continue. The cost of the taxpayer of this programme in 1996–97 was about £14.8 million (net of associated receipts).

51. Non-Fossil Fuel Obligation (NFFO) Orders for renewable energy are stimulating an initial market for electricity generating technologies close to commercial competitiveness. Nearly 500 MW of capacity is now operating under this mechanism (at a cost to the Fossil Fuel Levy of over £100 million this year) and the cost per unit generated has declined sharply in successive NFFO rounds. The Government has now initiated consultation exercises with the relevant trade bodies of the renewable energy industry, OFFER, and the Public Electricity Supply companies on a 5th NFFO Order in England and Wales and a 3rd Order in Scotland with a view to making further announcements later this year.

52. The successful commercialisation of renewable energy will provide a route to the longer term production of hydrogen from sustainable energy sources as and when that becomes necessary. The technology for the production of hydrogen by electrolysis using electricity generated from conventional or sustainable resources is of course well established but the additional cost burden due to energy losses during conversion and distribution and to the additional investment in conversion and distribution infrastructure militates against the early adoption of sustainable hydrogen production. Indeed, while identifying fuel cells as a high priority aim point, the Technology Foresight Panel on Energy concluded (page 33, "Progress Through Partnership 13, Energy") that technology for hydrogen as a fuel would not lead to significant benefit for the UK during the period of the Foresight exercise (10 to 20 years).

5.20 *The internal combustion engine has already benefited from massive investment by vehicle manufacturers, and this will continue, partly in response to legislation aimed at reducing emissions of air pollutants from vehicles. The programmes which are partly funded by public money should, therefore, concentrate on the long term development of alternative technologies which have high potential to reduce fossil fuel consumption. Fuel cells appear to be the most promising technology and United Kingdom and European research programmes should concentrate on their development. The Government should initiate a national demonstration project with a United Kingdom-based vehicle manufacturer. Research should also be conducted into sustainable production of hydrogen as fuel for the fuel cell and into the storage of hydrogen on board vehicles.*

53. The Government agrees that primary responsibility for R&D should rest with industry which is best placed to make judgements on the merits of alternative options in the light of their own commercial interests. Nevertheless it has long accepted the case for Government support for the development of New and Renewable (sustainable) energy technologies, including fuel cells, which have not, it recognises, benefited from the same scale of investment as more conventional technologies such as the internal combustion engine. The longer term future of the DTI Advanced Fuel Cell Programme will be considered as part of the review of new and renewable energy already announced and in the light of our manifesto commitment to working with the automotive industry to develop "smart", efficient and clean vehicles for the future. In the meantime negotiations are in hand to support an industry led evaluation of prototype fuel cell powered bus designs. If successful this may lead to eventual demonstration.

54. The choice of fuel for initial market entry and for subsequent market development, however, remains uncertain and a subject of wide debate. Some, for example, believe that methanol or natural gas is the right choice, others that on board reforming of conventional petroleum fuels, or their near equivalent, is necessary for successful commercialisation. All of these options could still offer environmental benefits while laying the foundations for a switch to hydrogen when appropriate. While the potential attractiveness of using hydrogen produced from sustainable energy sources in the longer term is recognised it seems likely that early markets may focus on fuels derived from fossil sources.

55. It is certainly true that any requirements for a significant change in the fuel distribution infrastructure in order to enable the use of fuel cell systems would in itself be a major barrier to commercialisation of this technology in many transport applications. In addition, despite a continuing and significant global effort, the development of on board hydrogen storage systems with attractive energy storage density, efficiency and cost remains a challenge. It is for these reasons that the DTI's Advanced Fuel Cells Programme, in common with programmes elsewhere, is addressing options for generating the hydrogen rich fuel required by the fuel cell from a variety of fuels on board the vehicle. The programmes of the European Commission also support the development of fuel cells systems and the Commission's Task Force on the Car of Tomorrow is seeking to co-ordinate EC supported work relating to transport applications.

56. New impetus has been given to the DTI's Foresight Vehicle Initiative with the announcement in July of the LINK Foresight Vehicle programme which will provide up to £5 million in public money, to be matched by industry, for pre-competitive automotive Research and Development. Primarily aimed at automotive suppliers and jointly funded by DTI and EPSRC, the programme aims to accelerate the development of environmentally friendly vehicle systems by helping industry and the science base forge collaborative partnerships to investigate innovative automotive enabling technologies. Four key synergistic technology areas are covered: hybrid and electrical vehicles; advanced materials and structures; and telematics and advanced electronics. Market driven priorities have been set by industry working in partnership with Government in a thematic based network comprising vehicle manufacturers and suppliers, research, trade and design engineering organisations, user groups, local authorities and national government.

57. The Foresight Vehicle which has been developed from the vision of the Transport Foresight panel will act as an umbrella for automotive research in the UK and an interface with European and international programmes. It aims to provide a critical mass for action, dissemination and exploitation of publicly funded automotive R&D in the UK and will complement existing activities such as DTI's Advanced Fuel Cell Programme.

58. The Cleaner Vehicles Task Force was announced by the Prime Minister on 14 November. This is a joint DETR/DTI initiative which aims to create new partnership between Government and the private sector to promote the development and sales of greener vehicles. It will bring together a high level group of manufacturers and purchasers of vehicles together with motoring, environmental, and trade union organisations and representatives of local authorities and the oil industry. The Task Force will be co-chaired by the Minister for Transport and the President of the SMMT. The Minister for Science, Energy and Industry will also sit on the Task Force. The Task Force will build upon existing partnerships and action under the Foresight Vehicle programme as well as bringing in other relevant interests, in order to promote environmentally friendly vehicles people actually want to drive and buy.

Department of Environment, Transport and Regions

28 November 1997

Printed in the United Kingdom by The Stationery Office Limited
2/98 345246 19585

ISBN 0-10-405198-1
9 780104 051986

Published by The Stationery Office Limited
and available from:

The Publications Centre
(Mail, telephone and fax orders only)
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