

Interview post-publication of the Energy White Paper between Rt Hon Kwasi Kwarteng MP, Minister of State for Energy, and Chris Lambert, Director. Westminster Energy Forum.

Chris Lambert:

Welcome again to the Westminster Energy Forum, Kwasi. And the first thing to note is that with COP26 now only months away, this Energy White Paper really places BEIS at the centre of national strategy in the climate and clean growth space for years to come. So personally this must be a very exciting time to be Energy Minister.

Kwasi Kwarteng:

Absolutely. Oh no, it's been brilliant. I mean, what I've said this year is that we've really set our stall out this year. And the secretary of state for BEIS made it very clear that we wanted to have the Energy White Paper coming out this year [2020]. We delivered on that, and I think 2021 will be another year of real activity, it's a year of delivery. And we're hopeful that many of the things that we sketched out, or we've written about in the White Paper can be implemented, or we can move towards implementing them next year. And as you say, COP26 will be a great opportunity, a great event at which we can showcase many of the great things we're doing in the energy space in the UK.

Chris Lambert:

So since we started the WEF in 2004, I think there have been 16 energy ministers. So assuming you remain in post until the COP26 summit, you will gain the record for the longest serving energy minister of modern times!

Kwasi Kwarteng:

Well, it's not just about record holding, it's about actually doing things, Chris. I think we're all very focused on how many weeks and months we've served in a particular post. I'm very interested in delivery. And I think, when I look back to the summer of last year, when I took up the post in July, we've made great strides. If you would think about policies on things like hydrogen, on things like CCUS. The increase of our commitment on offshore wind in terms of the gigawatts of capacity, 40 gigawatts that we want to see. The prime minister's 10-point plan, the Energy White Paper itself. I think we've made huge strides in this space, and that's what I'm really interested in. I want to achieve things, and really move the dial forward in the fight against climate change, and also more particularly, net zero.

Chris Lambert:

All right. Well, on that note then, let's debrief the White Paper, a massive publication which has been long awaited. Now, the paper has got three overarching objectives: transforming the energy system, supporting green recovery, and creating a fair deal for consumers. And the intergenerational nature of climate change clearly puts the consumer at the forefront of all this.

Kwasi Kwarteng:

That's right.

Chris Lambert:

Do you want to give some of the headline points of what creating a fair deal for the consumer will actually entail?

Kwasi Kwarteng:

Absolutely, let's start with the manifesto. Let's start a year before the publication of the Energy White Paper. We had a commitment to spend £9.2 billion on decarbonization, split between social housing, private housing, and also public buildings. And what we want to do is, and we've enshrined this in the Energy White Paper, is to make sure that people who are suffering from fuel poverty, people who are more vulnerable in society, can actually take part. And benefit from the transition to net zero that we want to see. And on that note, we have committed to an extension of the ECO, the Energy Company Obligation. We've seen the Warm Home Discount over the last 10 years give billions of pounds, again, to vulnerable consumers. We've also got the Green Homes Grant, which was extended in the prime minister's Ten Point Plan. And all of those themes are picked up on in the Energy White Paper, so fighting fuel poverty is absolutely at the centre of what we're trying to do.

Chris Lambert:

There's a considerable amount in the paper about improving the energy efficiency of, for example, social housing, rented non-domestic buildings. It's all hugely aspirational and of course policies, as we've said before, are one thing, delivery another. And there's been, I think, in recent years, it's fair to say, some serious impediments to both the scale and quality of home insulation, for example.

Kwasi Kwarteng:

That's right.

Chris Lambert:

So what would you say to reassure the consumer, for whom confidence is probably quite low, about the roll out of these programs regarding the future delivery of energy efficiency?

Kwasi Kwarteng:

So what I would say is that we're completely focused on trying to make this a much better rollout, and we've learned our lessons. I mean, one of the things that I've had to pick up as energy minister, is on the Green Deal. The fact that the Green Deal, still rumbling on, led to cases of people who felt that they were being conned, effectively. And we've learned from that, we need to have more quality assurance in terms of the installers. We need to make sure that the right projects are identified, and that we can get the money out to actually get improvements through installation.

Talking about what you've said in terms of social housing, that, as I say, was a manifesto commitment that we're still very much focused on. In terms of the Green Homes Grant itself, a portion of that money in the first instance, the £2 billion, will be spent by local authorities to improve the very issue of social housing that you've mentioned. And there's also a £1 billion commitment to public buildings, public sector buildings. Which, again, is something which I'm very proud that we're pushing in the Energy White Paper, and also in the Green Homes Grant.

Chris Lambert:

Let's move on to energy pricing, because it struck me, actually, that the energy bills for the consumer, by and large, were similar to 2010 in 2019. There's been less demand and consumption of energy, which has balanced out the system costs. And certainly the modeling is encouraging in that net costs will be, by and large, the same in 2030 and 2025. But this does raise the issue about consumers on default tariffs, which are 50% of all consumers, despite them being able to switch for years. You've done work on recent trials in opt-in switching to overcome the loyalty penalty. Do you want to explain a little bit about that principle between opt-in switching, and what those trials have perhaps indicated?

Kwasi Kwarteng:

So opt-in switching is really about trying to make sure that there's greater competition. And, of course, you'll know, Chris, that greater competition actually is what can keep prices much lower. So we're removing the barriers for consumer engagement, and making switching as easy as possible. The issue that we have, obviously, is that for many switchers there's not enough information. For many consumers there's not enough information, and we need to try and break down some of those barriers. But we're continuing to try and make consumers more aware of the options out there. And also there has been talk, and we're looking into this, about essentially not making it compulsory but making it more difficult for companies simply to retain existing customers on the same tariff. And I think that's something which a lot of the companies may find challenging, but it's something that we're discussing within the department.

Chris Lambert:

Now the last point on consumers I'd like to raise is around the development of the smart home and, let's call it, the tech-enabled home and consumer. Whether it's smart tariffs, storage of power in your electric vehicle, transferring it to the grid, et cetera. And there are concerns, clearly, about the concept of a digital divide opening up in the energy domain as well. We've seen it at a very fundamental level during COVID, with access to online education for a number of families. And the likelihood is they would be the similar vulnerable bracket in terms of smart home access. How would you indicate that the government might take note of that, and overcome that potential smart divide in the energy sector going forwards? What sort of measures might you have in place to prevent that?

Kwasi Kwarteng:

I think it's something that we're, again, very focused on. I mean, I mentioned in another context, our commitments to fight fuel poverty, but I think you're absolutely right to identify the digital divide. And also, it's essentially an information divide. It's the fact that some people are very clued up on the products that are out there, whereas others, through no fault of their own, aren't. And we're working very hard with DCMS to try and break down those barriers in terms of digitalization. And over the next 10 years, you're quite right, I mean the whole IT revolution hasn't really hit the energy market in the way that it might have done. And I think that once it does, there will be even more opportunities to help consumers, and to bring everyone with us. But the point I'm making, is that there's a more general problem in terms of applying IT, applying the lessons of digitalization to the energy sector as a whole.

Chris Lambert:

Okay, let's move into the energy system itself. There's a compelling case for tackling climate change within the white paper, it's made very emphatically. And you iterate at the start of the paper the fact that we're on track for three degrees of warming by the end of the century, with the potential for

worse. And yet two degrees is possible, because of some positive international commitments, falling demand, and technological innovation.

And moreover, national net zero strategies are increasingly making good business sense, and good fiscal sense for the country. So the benefits are increasingly outweighing the costs, and as we know, Treasury will publish their own net zero review in Q1. So let's look at transforming the energy system then, and the drivers behind that, and start with the power sector. So the BEIS modeling suggests that overall demand could double out 2050. Electricity could form half of the final demand by then, up from a mere (we say mere!) 17% in 2019. So a fourfold increase in clean power gen.

There were big headlines after the white paper release concerning offshore wind. A very ambitious target of 40 gigawatts by the end of the decade, including floating offshore. A lot of barriers to overcome of the non-financial kind, such as consenting, grid connections, competition on the seabed. And there's a mention of the Ministerial Delivery Group, so it would be useful, I think, if you could say something on that. But also, I think, even though the headline issues have focused on offshore renewables, it's worth, I think, if you could say something about the other offshore technologies of tidal and wave. As well as onshore and solar, which perhaps doesn't get as much profile.

Kwasi Kwarteng:

The first thing I'll say is that one of the first things we did this year was reopen the Pot 1 auction for onshore and solar. And that was something, as you will remember, that was suspended in 2015. It was a Conservative manifesto commitment that we wouldn't have any auctions on onshore and solar. We managed to lift that ban effectively at the beginning of the year, and I think that was a step in the right direction. Many people who are leading the fight against climate change, and also who are pushing renewables, were very grateful for the fact that we did that. So that's one, I think, big step in the right direction.

The other thing I would say about the offshore wind, it's very easy to say, "Well, 40 gigawatts." That's a huge ambition. What I would say is that even when I started this job in July 2019, the target was 30 gigawatts. And it was only really in the run-up to the general election that we decided to up that ambition. And we've also tweaked it, as you say, because one gigawatt of the 40 will be floating offshore wind. So that shows, just in a short time, how this conversation about renewables has evolved. Our ambitions are much greater. Another key fact about the rollout of offshore wind, is that we're very keen to increase the UK content of the supply chain. The sector deal said 60%, we're not quite reaching that, but we're very, very keen to get developers to focus their minds on delivering UK content.

Kwasi Kwarteng:

So that doesn't just mean renewable energy, the fight for net zero. It also means that we're going to have jobs, and we're going to benefit from the job creation and the wealth creation here in the UK. British workers will very much participate in that increase in capacity. And I speak to trade union leaders as well, I've talked to them about the Energy White Paper, and they're very excited about that. So there's a whole range of opportunity, not just from the point of view of decarbonization, but also from the point of view of wealth creation. And creating more jobs as well, well-paid jobs.

Chris Lambert:

It is certainly noticeable that through every chapter of the Energy White Paper it is pinned to either the maintenance of existing jobs, or the transition in the labour market, or the potential of green growth. I think it is true that we sometimes forget the tens of thousands working in not only what I would call the high-profile sectors, but the subsectors as well, which we'll come onto in a minute.

Kwasi Kwarteng:

Sure.

Chris Lambert:

So on that, let's move on to nuclear.

Chris Lambert:

Obviously the intention is one further large-scale nuclear project to the point of FID by the end of this Parliament, subject to clear value for money. And Sizewell C is obviously the one in the frame because potentially the cost reductions associated with the second of a kind, versus the first of a kind at Hinkley.

Kwasi Kwarteng:

That's right.

Chris Lambert:

The regulated asset based model is deemed credible for funding large scale projects, again subject to value for money. So given the focus on the RAB model and the investments, give us a sense of how that final investment decision will be made. Who's involved in the decision-making, and what does a developer need to prove? What does value for money mean in practice?

Kwasi Kwarteng:

You raise a very important point there. I mean, clearly the Treasury is absolutely crucial, because ultimately they hold the purse strings. And they will be the ultimate arbiters of, the phrase you used, value for money for the taxpayer. But there are a number of other considerations that I think, as an energy minister, I'd be very interested in being focused on. I think the way in which EDF engages with the local community, particularly in Sizewell C, if that's the one that gets the green light, is really important. Because all of these issues are always very... There are always two sides.

And I think the company, the people developing the site, there's really an onus on them to try and bring as many people as possible with them. You're not going to get 100% of people, I mean, I'm realistic about that. But you can get a big majority, if you can show that you're benefiting the local community, that you're sensitive to environmental concerns. And I think that's a challenge which they can deliver on. The financial point that you make is also really important.

And that's, as I say, something which the Treasury is very engaged with, and that's the basis on which we announced that we're entering into conversations with EDF. It's a commercial transaction. We have to figure out what the best financial package in terms of how it's structured, the ownership, the balance between debt and equity. And it's something on the table still, whether the government actually puts taxpayer's money as a form of equity investment. There are all these issues that need to be worked out.

And as you say, we've committed ourselves to making the final investment decision, the FID, before the end of the Parliament.

So there's a lot of conversations, a long way to go, but I'll say this about nuclear. The only way that we can get decarbonized firm power, which isn't intermittent, that's the whole point about firm power. Nuclear is one of the best ways of doing that. And in an energy system in 2050, we will need to have what's called dispatchable power. We'll need to have a source of power that isn't intermittent, that isn't fluctuating, and isn't dependent on the wind blowing, or the sun shining. And as far as a decarbonized source of firm power, it's very difficult to see anything that's better, actually, than nuclear power.

So nuclear power is going to be part of the mix. And once you've accepted that, then you have to think about which particular projects you're going to promote. Now, ultimately, I think, in the 2030s and beyond, we will have the opportunity for small modular reactors. And maybe in the 2040s for advanced modular reactors. But at the moment, there is still a commitment to gigascale, which you've described. And I think Sizewell C is well placed in that space, but there are other projects as well, that could come onstream.

Chris Lambert:

It struck me actually, when you mentioned Sizewell C, just how much of the energy labour market of the big projects are in what you might call peripheral areas. Whether it's the nuclear sites, essentially, the coastal, obviously the massive offshore and gas industry. So these do serve communities where, perhaps, industry is not as diversified as it is in other parts of the country. It reminded me, actually, in the paper, about the decommissioning waste strategy. The NDA will issue, in March this year, its latest long-term strategy and that's a sector in itself which employs 15,000 people, which will absorb the AGRs as they come off the grid.

So you mentioned modeling all of this and having it stress tested which is an interesting section in the white paper, notably the confidence and transparency of the modeling behind it because clearly the white paper is the 'mother ship' from which a raft of other strategies will come over the years.

Kwasi Kwarteng:

That's right, that's right.

Chris Lambert:

And just to quote the paper, you want to increase the ability to access the best modeling expertise available. Words of collaboration, transparency. So is this because of data, supercomputing? Is it because the delivery of net zero is so big, you need a larger community of modellers involved? Or is it because the confidence, which perhaps hasn't been there in the past, of your own government's modeling, is high at this point? And it's a case of, "Right, this makes sense to open this up and collaborate"?

Kwasi Kwarteng:

I think it's a bit of both. But the key thing that I've learned as an energy minister, Chris, is that we're not going to get there unless we have a lot of engagement with all sorts of people. All sorts of stakeholders. And that's what I've tried to do as an energy minister. We have various forums with generators, with

energy suppliers, with campaign groups. And the realization is that it's such a big challenge, net zero. Is that a government and a bunch of people in Whitehall aren't going to be able to get there on their own. Without referring to wider stakeholders, and bringing a larger group of people into the decision process to exchange ideas. I mean, we've reached the realization that, certainly with regard to net zero, the government doesn't possess a monopoly of wisdom. And I think any government that thought that they did, I think, would be very naive and probably get things quite badly wrong.

So that's the insight, really, there, that there are lots and lots of people who are very passionately engaged. They've gathered huge amounts of experience over decades now, and we want to tap into some of that. And that's the broad reason, I think, that we are reaching out in the way that we have done. And I think it's quite unusual, actually, for government departments to be as front footed in the way that they engage with a whole variety of stakeholders. And I've really tried to push that in my tenure as the energy minister.

Chris Lambert:

I think when people talk about energy, or historically have done, they tended to mean electricity. And they forgot about heat, and transport, and they also forgot about the fact that now we're on a net zero strategy, you are essentially the overarching strategy in which all departments and other national strategies fit. I think the concept now of a holistic energy system is pretty key. I think the fact that when you talk about net zero, you're talking about a whole net zero economy. Not just a clean energy sector, albeit that may become the beating heart of it.

Kwasi Kwarteng:

That's right.

Chris Lambert:

And certainly in the white paper, you talk about a smart systems plan with Ofgem. With a new framework for flexibility, transformation, the physical infrastructure, networks of pipes and wires. So let's look at EVs and heat pumps as part of that, because those are quite headline issues, I think, that have major implications going forwards. On EVs and the physical infrastructure associated with that, there's considerable demand for charge points and grid infrastructure. I think you mentioned two and a half thousand across the strategic network.

Kwasi Kwarteng:

Well, we've committed money to that. I mean, that's something which the prime minister mentioned in the 10-point plan. I think that was the fourth point in that. And he committed some of that £1.3 billion to charging infrastructure, which is critical to the rollout of EVs.

Chris Lambert:

Okay, then let's move on to heat pumps, a similar ambition in the 10-point plan. And it's worth saying, actually, just as an aside, I think this is one of the few occasions where a major announcement, i.e. the 10-point plan, didn't get a lot of pushback. I think it was positively received by the sector. So we've talked 40 gigawatts of offshore wind, achievable. But 00,000 heat pump installations by 2028?

Kwasi Kwarteng:

Very ambitious.

Chris Lambert:

But I would raise issue with you here about the consumer again. EV charge points, the smart home, heat pumps becoming a bit of a hostage to fortune. So ambition, fine. The drive for decarbonization and to accelerate that, absolutely. But I think there are concerns within the sector about the how of these two key areas of energy strategy can be done within the time so that there are no gaps in expectation, nor drop in investor confidence. And that's a very, very tricky tightrope to walk. So give us a sense of where your confidence for this EV and heat pumps comes from.

Kwasi Kwarteng:

So in terms of EVs, I think that we can surprise ourselves in terms of the speed of the rollout. I was talking to a couple of Conservatives MPs yesterday, and they expressed concerns about the speed. But 2030 is a very long time away. I mean, in some instances it isn't, but if you're looking at the supply chain, if you're looking at manufacturing processes, 10 years is actually quite a chunk of time. And many of the automotive manufacturers are saying that they can respond to that. And I think if we get the right infrastructure, in terms of the charging points, I think we can see a tipping point where people adopt EVs quite quickly. I mean, we saw this particularly in iPhones. I mean, you remember when the iPhone came in, it didn't take very long before everyone had them.

Now iPhones are much smaller, I appreciate that, but that you do, in technology, get these tipping points, and we may well reach one with EVs. I think heat pumps, as you say, are challenging at the moment in terms of the unit cost, they are expensive. But I think we're starting from such a low base. And in a way, the fact that we're starting from such a low base, means that we can accelerate the rollout very quickly, exponentially even. And that hope is captured in the policy. Now, if you can just look at broad maths, we have something like 30 million homes, something like that. Between 30 and 35 million homes in the UK. Now in 2050, I don't think it will be the case that all of those homes will have heat pumps. But even if it's half, or even 40%, we're talking about between 10 and 15 million, something like that.

And, of course, 600,000 a year can get you there. And it's a very ambitious target, but it's doable. Not every home, as I say, in 2050 will have a heat pump, but where it's applicable, where it's relevant, where it fits, I think we would like to see the rollout of this technology. But of course, and the only other thing I would say, is that heat pumps are one thing, but there are other technologies that can drive decarbonization in the home space. We don't know fully the extent to which hydrogen can play its part. Now, that's very much part of, I think it was the second point in the prime minister's 10-point plan. And if the hydrogen rollout works, and the hydrogen deployment takes off, then again, that's something which would very considerably help us in decarbonizing homes.

Chris Lambert:

And I think this has certainly been an issue before in previous white papers, about the government not picking winners and the market delivers it.

Kwasi Kwarteng:

That's right.

Chris Lambert:

And following a very plural technology pathway. And if you look at other regions in the world like Southeast Asia where, for example, domestic and industrial fuel cells are starting to roll out at scale. So I think it will be a combination, as you say, of many, not if, or either-or.

Kwasi Kwarteng:

Chris, I can't emphasize how important that insight is. It's a plural, as you put it, a plural set of technologies, if you like. There's no winner, it's all like a tennis tournament. I always say this, people think of these technologies as if they're in a tennis tournament. And then at the end of the month, there's one winner which dominates everything. And that's not the model that we should be thinking. That's not how we should be thinking about the energy system. I think having a diverse source of technologies is absolutely critical to this. And the diverse set of technologies which can lead to decarbonization of homes, reflects the incredibly diverse nature of the homes themselves. There are people who live in apartment blocks, there are people who live in rural cottages. There are people who live in rows of terraced houses in the cities.

There are lots and lots of different types of housing stock. And each of them, each of those different types of dwelling will have technologies that are particularly appropriate to those houses. The way that you provide decarbonizing heat in a tower block in the middle of London, will be different to the way in which you do that in a rural cottage in Herefordshire, for example. And we've got to understand the diversity of dwellings, and see that it's a diversity of technologies that will get us to where we want to be.

Chris Lambert:

Well, you've alluded to the decarbonization of the domestic sector as well. And obviously the blending of hydrogen within the gas networks is another example of that. But let's move it to the other end of the scale, the other end of the spectrum, which is also relevant to hydrogen and gas, of course. And that's the industrial scale, the clusters that you talked about. The industrial clusters to deliver four low carbon areas by 2030 and the money behind that, plus carbon capture, usage, and storage is clearly a key one as well. I think there's probably a lot of confidence now in the industrial clusters, and the integration of technologies and industries, and the support for CCUS. But it's had quite a few false starts, I think.

Kwasi Kwarteng:

It has.

Chris Lambert:

And given the carbon trajectories, there's no time left for false starts, especially given the non-negotiable feature of CCUS in the carbon budget. So give us a sense of that, wrap it up under CCUS industrial clusters and how that might play out.

Kwasi Kwarteng:

Yeah, so look. I mean, one of the things that I was struck by when I first took the job in the middle of 2019, July, was the fact that we'd had many false starts with carbon capture. We've been talking about carbon capture usage and storage for 15 years, and there were many false starts. Famously in 2015, we had committed £1 billion to it, but then that was canceled. And it was to do with budgetary concerns

about the reform of tax credits, actually. And we couldn't reform tax credits, and there was a £4 billion hole. And so the CCUS £1 billion was removed. Now, when I started the job, CCUS was always pushed as something that we had to do. You refer to the Committee on Climate Change report, which says that you have to have it by 2050 if you're going to hit the target.

Kwasi Kwarteng:

And also the other thing I would say is that CCUS is really a twin of blue hydrogen production, in terms of the methane reformation. So that's, again, focused people's minds on CCUS. And we've reached a point now where we've committed to it in the manifesto. We committed to it in the budget, and we've increased that commitment from £800 million to £1 billion in the energy white paper. So more than any other time, this thing is really happening. And what we want to do next year, we've consulted on various business models, financing models, is that we really want to start attracting investment into this technology.

Chris Lambert:

Okay. Finally, let's look at the oil and gas sector. The white paper looks at the transformation of the UK Continental Shelf, for it to become a net zero basin by 2050. It talks of opportunities for the oil and gas industry to repurpose their operations from unabated fuels to abatement technologies. And of course, there's a significant focus on the transformational North Sea transition deal, as it's described. As part of this, something that really stands out to me is the section on climate disclosure for the oil and gas sector. Something that arguably should apply across the entire economic sector. But there's some discussion as well on scope 1 and 2 emissions for the sector, and also challenging the sector to address embodied emissions as part of scope 3. Now scope 1 to 3 disclosure is really challenging. And if you believe it for the upstream sector, again, it should be a requirement across the entire economy, ideally. But what are your thoughts on that?

Kwasi Kwarteng:

Yeah, you're absolutely right. But I think the oil and gas sector has historically been responsible for a large proportion of emissions. And so there's a real feeling, and you will know this in terms of public activism. I mean, the Shells of this world, the BPs of this world have been under a huge amount of pressure from ordinary activists. And we feel it's only right that we should really hold their feet to the fire in terms of the decarbonization agenda. And that's precisely why we've really looked to this industry, looked to this sector, and asked them directly to drive the energy transition. And this is at the centre of what we're doing in terms of the North Sea transition deal, which we hope to land at the beginning of next year. Where there is definitely a reciprocity.

We want to support the sector, but we only are going to provide that support if they play ball with the government, and wider society, in terms of decarbonization targets. And many of those companies, BP and Shell have publicly committed themselves to the net zero agenda. And I think that's the right thing. So even though you say it should apply across the economy, that's why we've got the focus on oil and gas. Because historically they have been very much part of the problem, and so we feel that they should be part of the solution.

Chris Lambert:

It's certainly worth pointing out, I think, that there is a very wide spectrum of oil and gas companies. That they are not all the same, they can rank one to a hundred on this journey. Some are a long way down the climate disclosure net zero path. Others have paid little attention thus far.

Kwasi Kwarteng:

But they're pushing that. I mean, whether their motives are entirely sincere, people will have different opinions on that, but publicly they are all absolutely committed. All the major companies are very much committed to this agenda, the climate change agenda and the decarbonization push.

Chris Lambert:

I think it's a combination of things. Shareholder pressure, transition risks, demand reduction, et cetera.

Kwasi Kwarteng:

That's right. All of that's right, and we've seen a derating in the stock prices. We've seen a derating of many of those companies, partly because of COVID and the fall of the oil price. But a lot of it is driven by investor sentiment, and investors understand that the old model of oil and gas needs to change.

Chris Lambert:

So do you see licensing for new exploration and production to be contingent upon zero commitments by operators?

Kwasi Kwarteng:

Absolutely. I mean, this is one of the things I've stressed. You will know about the licensing review, all the conversations I've had with Energy UK and the OGA, I talk about quid pro quo, something for something. And that quid pro quo means that government support is only going to be there if they take decarbonization very seriously indeed. And that's at the heart of the transition deal, that's what we want to push.

Chris Lambert:

So in conclusion then, everything is clearly working back from the net zero 2050 targets, through the carbon budgets. And of course, this year to COP26. So perhaps to conclude, can you say a little bit about how you see the role of UK climate finance and diplomacy in the run-up to COP26? Perhaps also address some of these concerns about the amount and efficacy of UK overseas aid in this area.

Kwasi Kwarteng:

So I think because we're all controversialists, we're focusing on negative stories. The biggest story this week actually, arguably even more than the Energy White Paper, is the Prime Minister's announcement on the 12th of December. Saying that we're not going to promote, we're not going to finance any fossil fuel investment overseas. That's of huge significance. And that's a very, very clear indicator of where we want to be. It was discussed within government, there were different views. But the prime minister made it very, very clear that we are not going to provide any export finance for fossil fuel investments abroad. And that's a hugely significant thing. I think, in terms of what you're saying in terms of the 0.7% commitment, we've already made a lot of the 0.7% commitment contingent on driving the climate change agenda.

And that's something that we can do and provide leadership next year in COP26. If you look at what's happened globally in the last two or three months, just in the last two or three months, you've had the Chinese government for the first time committing to net zero in 2060. And that's the first time they've ever said anything about net zero and decarbonization. That was closely followed by the Japanese government, who committed themselves to net zero by 2050, which is the same target that we have. And the South Koreans did the same just, I think, a few days after that.

And it all flows, I would suggest, from the fact that we legislated for this last year. I mean, it seems an almighty coincidence that all of these things are happening this year. And I would modestly suggest that we are actually showing leadership globally on this. Just as my friend, Rishi Sunak, announced only a few weeks ago in the House of Commons that we would be the first country to mandatorily force TCFD disclosures, the mandatory publication of that. So there's no doubt in my mind that we are providing international leadership in this area. And people that I speak to, energy ministers around the world, are always conscious of the fact that the UK is really taking great strides, and is a leader in this field,

Chris Lambert:

Thanks very much for your time, Kwasi, and good luck for 2021.

Kwasi Kwarteng:

Thank you. I could talk forever!