



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Amgylchedd a Chynaliadwyedd **The Environment and Sustainability Committee**

Dydd Iau, 13 Tachwedd 2014
Thursday, 13 November 2014

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Jeff Cuthbert	Llafur Labour
Russell George	Ceidwadwyr Cymreig Welsh Conservatives
Llyr Gruffydd	Plaid Cymru The Party of Wales
Alun Ffred Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Julie Morgan	Llafur Labour
William Powell	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Jenny Rathbone	Llafur Labour
Antoinette Sandbach	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Chris Atkinson	Pennaeth Safonau, Cymdeithas y Pridd Head of Standards, Soil Association
Stephen Clarkson	Rheolwr Ardystio a Chydymffurfio, Ffermwyr a Thyfwyr Organig Certification and Compliance Manager, Organic Farmers and Growers
Keri Davies	Grŵp Organig Cymru Welsh Organic Group
Claire Doherty	Rheolwr Polisi a Chyswllt â'r Diwydiant, ScottishPower Policy and Industry Liaison Manager, ScottishPower
Huw Edwards	Uwch-arolygydd, Ffederasiwn Bwyd Organig Senior Inspector, Organic Food Federation
Haydn Evans	Cynrychiolydd Grŵp Materion Organig, NFU Cymru Organic Issues Group representative, NFU Cymru
Nic Lampkin	Cyfarwyddwr Gweithredol, y Ganolfan Ymchwil Organig Executive Director, Organic Research Centre
Rachel Lewis-Davies	Cynghorydd Amgylchedd a Materion Gwledig, NFU Cymru Environment and Rural Affairs Adviser, NFU Cymru
Tony Little	Swyddog Prosiect, Canolfan Organig Cymru Project Officer, Organic Centre Wales
Stuart Margerrison	Cyfarwyddwr Gosodiadau Busnes, Nwy Prydain Director of Business Installations, British Gas
John Mason	Rheolwr Polisi a Rheoleiddio, EDF Energy Policy and Regulation Manager, EDF Energy

Rhian Nowell-Phillips Dirprwy Gyfarwyddwr Polisi Amaethyddol, Undeb Amaethwyr Cymru
 Deputy Director Agricultural Policy, Farmers' Union of Wales

Dr Gareth Wood Pennaeth Casgliadau, SSE
 Head of Collections, SSE

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Alun Davidson	Clerc Clerc
Peter Hill	Dirprwy Glerc Deputy Clerk
Catherine Hunt	Ail Glerc Second Clerk
Nia Seaton	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 09:34.
The meeting began at 09:34.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Alun Ffred Jones:** Croeso i'r pwyllgor. Os bydd larwm tân, dilynwch y tywyswyr allan. Gofynnaf i bawb ddiffodd eu ffonau symudol neu BlackBerrys. Cofiwch fod Cynulliad Cenedlaethol Cymru yn gweithredu'n ddwyieithog ac, felly, mae croeso ichi gyfrannu yn eich dewis iaith. Mae cyfieithiad ar gael ar sianel 1, ac, i glywed y sain yn well, trowch i sianel 0. Peidiwch â chyffwrdd â'r botymau—rydych yn gwybod hynny. A oes unrhyw un sydd am ddatgan buddiannau? Na. Cafwyd ymddiheuriadau gan Mick Antoniw, Llyr Gruffydd a Joyce Watson.

Alun Ffred Jones: Welcome to the committee. If the fire alarm sounds, please follow the ushers out. I ask everyone to switch off their mobile phones or BlackBerrys. Remember that the National Assembly for Wales operates bilingually and that, therefore, you are welcome to contribute in your language of choice. A translation is available on channel 1, and, for sound amplification, turn to channel 0. Do not touch the buttons—you know not to do that. Does anybody want to declare an interest? I see that no-one wants to. There are apologies from Mick Antoniw, Llyr Gruffydd and Joyce Watson.

09:35

Ymchwiliad i Gynhyrchu Organig a Labelu Cynhyrchion Organig: Sesiwn
Dystiolaeth 1
Inquiry into Organic Production and the Labelling of Organic Products:
Evidence Session 1

[2] **Alun Ffred Jones:** Hon yw'r sesiwn dystiolaeth gyntaf o dair sesiwn. Pwrpas yr ymchwiliad yw ystyried yr effeithiau posibl ar Gymru yn wyneb cynigion y Comisiwn Ewropeaidd ar gyfer rheoliad ar gynhyrchu organig. Cafodd ymgynghoriad cyhoeddus ei gynnal rhwng Gorffennaf a Hydref 2014, ac

Alun Ffred Jones: This is the first evidence session of three. The purpose of the inquiry is to consider the possible effects on Wales in light of the European's Commission proposals on a regulation on organic production. A public consultation was held between July and October 2014, and there is

mae briff i chi. Mae'r tystion yn cyrraedd.

a brief for you. The witnesses are arriving.

[3] Croeso i chi, dystion, i'r sesiwn gyntaf o dair sesiwn yr ydym yn eu cynnal yn yr ymchwiliad hwn i gynhyrchu organig. Felly, a gaf i ofyn i chi, yn gyntaf, gyflwyno eich hun cyn imi ofyn i'r Aelodau ofyn cwestiynau? Dechreuwn gyda Rhian.

Welcome to you as witnesses to the first session of three evidence sessions that will be held as part of this inquiry into organic production. Therefore, may I ask you first to introduce yourselves, before I ask the Members to ask questions? We will start with Rhian.

[4] **Ms Nowell-Phillips:** Hi. I am Rhian Nowell-Phillips, and I deputy director of agricultural policy for the Farmers Union of Wales. It is a bit like déjà vu this week, but I have a different head on. [*Laughter.*] I deal with land use issues, with organic farming being part of my remit.

[5] **Mr Davies:** I am Keri Davies, an organic farmer from Brecon. I am representing the Welsh Organic Group. I am here today to try to put a farming perspective on some of the common-sense approach, hopefully.

[6] **Mr Evans:** Good morning. I am Haydn Evans. I represent the organic group with the National Farmers Union. I am a practising dairy farmer and I also chair the Soil Association's farmers and growers board.

[7] **Ms Lewis-Davies:** I am Rachel Lewis-Davies; environment and rural affairs adviser for NFU Cymru.

[8] **Alun Ffred Jones:** Diolch yn fawr. Jeff Cuthbert, you can kick off.

[9] **Jeff Cuthbert:** Thank you, Chair. Good morning. May I start with a general picture from your point of view? Could you tell us about any concerns that you may have about the practicality of the proposals? Will you outline briefly where you perhaps support particular aspects of the proposals? Do you feel that there is any likelihood of any disproportionate effect on livestock producers? Can you also talk about the issue of balance and the possible implications in the delegated Acts? I would like to have the general picture.

[10] **Mr Evans:** From my point of view, I have welcomed the commission's review into organic farming. The main issues of concern have been in the detail and the way it wishes to implement some of the proposals as they currently stand. My overall concern is that, in some key areas, there has been some of what I would describe as qualitative analysis, but a lack of quantitative analysis, in particular in relation to the ban on mixed farms, whereby that would now be prohibitive and would directly affect some farms in Wales. The UK has roughly around 25% mixed farms. The ban on mixed farms would, in effect, decertify a number of farms, some of which are farms where there is experimental grassland and various other issues. Mainly, we would lose a key number of farms out of the organic sector. This would have particular ramifications for things like slaughterhouses and other key areas. That is one of my prime concerns on this particular paper.

[11] I also have concerns about the prohibition of conventional seed. While the intention is clear to remove the conventional seed from organics, the timescale is exceedingly short and would cause issues in the sector. A specific example that I would give to you on this is that I have recently had an e-mail from a gentleman who has a wildlife park and would be unable to get seed for the wildlife park and plants. They are simply not available in organic form. We would really have concerns both as to the availability and the lack of volume of seed that would be likely to come forward. This would cause issues on organic farms. It is something that, again, we would be really wishing to impress upon you: that this would have an effect on

organic farming in Wales.

[12] The other issue that I have with some of the proposals is with the changing of the origin of animal feeds under the proposed new legislation, in that 90% of animal feed and 60% of feed for herbivores—that is, pigs and poultry—would have to come from the region. As of today, I have seen no clarification of what is a ‘region’. The region used to be Europe, but it would cause issues if ‘region’ were defined too limited, particularly in Wales, as some of the protein crops for animals, particularly pigs and poultry, and the dairy sector would be a problem. We find great difficulty because of the natural environment of Wales in growing protein crops. While IBERS is doing a considerable amount of good work on this, looking at things like lupins et cetera for protein, that is still very much in its infancy and we would struggle to produce sufficient protein here to meet the animals’ needs. So, there would be a problem with welfare particularly, again, in the pigs and poultry sector.

[13] **Alun Ffred Jones:** Can I ask anyone else to chip in on this issue?

[14] **Ms Nowell-Phillips:** Haydn has managed to summarise it excellently. One point that came up from one of our members was that the problem with the seed is that it could make organic farmers unable to benefit from technology changes and new varieties as they come out, because there would have to be a time lag between the new varieties being developed and then sufficient amounts coming up through into organic production. Otherwise, I totally agree with the points that Haydn has made.

[15] **Alun Ffred Jones:** Before I bring in Antoinette, does anyone else wish to respond to Jeff Cuthbert’s general question?

[16] **Jeff Cuthbert:** I did ask whether there were any aspects that you particularly supported.

[17] **Ms Nowell-Phillips:** I think, the whole ethos. Any review is good because nothing stays the same, and organic production obviously does not stay the same. There are huge changes within other sectors of the agricultural industry, and big changes outside the European Union to organic production. I think that the ethos behind the Commission looking at this and making it more transparent is something that is supported, because, at the end of the day, organic farmers are doing it because they choose that particular farming method. It is extremely important to be marketing that in order to get the returns that reflect their work and their ethos, and that consumers are quite clear as to what they buy. It is the package rather than just the commodity that they see in the shops.

[18] **Antoinette Sandbach:** I just wanted to pick up on the seed issue, perhaps, for some people who are not farmers. When you are talking about conventional seed, there are two types: conventional seeds that are pre-treated with chemical pesticides and conventional seeds that are not. When we are talking about conventional seed in this process, can you outline which of those two you are actually talking about?

09:45

[19] **Mr Davies:** The process of treating the seed is not allowed under the organic standards. Therefore, if we needed to take a new variety of seed, like Westminster corn, for instance, which is a particularly productive seed, from the non-organic world untreated, that would be accepted under a derogation, but strictly guided by rules. Therefore, we have no problem with being audited, clearly. It is recommended, because the seed varieties outgrow the performance. Organic production is difficult at best, due to the lack of nutrients, and to take the edge of the productive seed out of it as well would be quite a cruel blow.

[20] Also, going on to the non-organic animals used for breeding, limiting them to an organic gene pool would put organic farming back by considerable years. You go to market and you try to buy the best prolific genes for growth. Again, we need those growth curves in organic production, due to the lack of quality of the protein, potentially. Limiting yourself to an organic pool would be quite limiting, in the way that Welsh agriculture is going in the future, I would think.

[21] **Antoinette Sandbach:** So, when you are talking about seeds, you are talking about untreated seeds—seeds that have not been treated by pesticides—and, therefore, you are still at a disadvantage, as it were. One of the benefits of mixed farms is that the higher input/higher output model can be followed on one part of the farm while the organic conversion is taking place on another part of the farm. Often, your output falls as you are converting and using less intensive methods of farming. Therefore, what that allows is a transition period, as I understand it.

[22] **Mr Davies:** That is correct.

[23] **Alun Ffred Jones:** I would prefer it if our guests actually gave us the evidence. [*Laughter.*]

[24] **Antoinette Sandbach:** I was just asking whether that was right. [*Laughter.*]

[25] **Alun Ffred Jones:** Rachel Lewis-Davies first.

[26] **Ms Lewis-Davies:** Just on the issue of organic seed production and the key challenge, we need to recognise that it is far more challenging to produce organic seeds, because of the limiting availability, or the fact that you cannot use these products, so they are more susceptible to disease. So, we do have to recognise that the supply of organic seeds is very limited and also the supply of a variety. It is the variety that is potentially inhibited, as well.

[27] **Alun Ffred Jones:** Julie Morgan is next, then Jenny.

[28] **Julie Morgan:** Thank you. I was going to raise the issue of the mixed farms that you raised. I wondered whether you could say some more about what you feel the implications would be for Wales if farms had to be totally organic.

[29] **Ms Nowell-Phillips:** The feedback we are getting from members is that, sometimes, if you are not from an organic background and you are considering organic conversion, which farmers do, there is that added security of being able to run the farm on a two-pronged approach. I am sure that the two organic farmers sitting here are already there. They have done it and they would not change. However, there are a lot of farmers out there who perhaps have been on relatively low inputs anyway, because a lot of the uplands in Wales run on a low-inputs basis. It is the security side of it. It allows them, as Antoinette said, to maintain that production as they are going through the conversion process. However, it is also a bit of, 'Well, if it doesn't turn out right, then I haven't lost everything'. The positive side of that is that the chances are that, once they have started conversion, they will pull the rest of the farm in. For people thinking of converting from a totally non-organic basis, I think that that security blanket of having the two systems is extremely important, particularly in Wales, where we are quite livestock-predominant.

[30] **Ms Lewis-Davies:** Just to add, it does allow businesses to spread their risk, really, does it not, by enabling them to operate different systems?

[31] **Mr Davies:** From a horticultural point of view, as well, there are many farms in

Wales—with the organic horticultural units, successful strawberry picking units, and so forth—that would possibly not want the whole farm to go in. So, I think that horticulture would also take a bit of a knock in Wales, as well.

[32] **Julie Morgan:** How many farms would this apply to in Wales? Who would be affected by this?

[33] **Ms Lewis-Davies:** The figures that I am aware of at a UK level show that about 25% operate mixed holdings.

[34] **Julie Morgan:** And is that similar in Wales, do you think?

[35] **Ms Lewis-Davies:** From the evidence I have read, we think that it would have a similar impact here, but we do not have the statistics. I am sure that Organic Centre Wales may have access to that type of information later on this morning.

[36] **Julie Morgan:** Thank you.

[37] **Alun Ffred Jones:** Jenny is next.

[38] **Jenny Rathbone:** Apart from this possible disincentive to start getting involved in organics, what is to stop farmers from dividing up their estate into ‘Mrs Jones’s Organics’ and ‘Mr Jones’s Something Else’ and still being compliant? You can see the difficulties for people who want to certify that something is organic that you are not having people subverting the rules by mixing and matching after the certifiers have come in.

[39] **Mr Evans:** Yes, that is something that you could choose to do. You would need then to register them separately, so that would incur an extra level of bureaucracy. However, in terms of people who are already in, if it forms a very small albeit a vital part—and we have just touched on strawberries, blackcurrants et cetera—the likelihood is, as it sits, that they would leave the organic operation. From my understanding, and you will have a chance to look at this later on this morning with two of the certification bodies, the ability to apply the regulations and to inspect those farms is very good. Those farms are very well managed, and it is clear what section is non-organic and what is organic. The concern is about whether, once you have separated them, the organic inspector would be allowed onto the inorganic part or would not have access to that particular part of the farm. It is my opinion that it would weaken the regulation, not strengthen it.

[40] **Jenny Rathbone:** That is a very important point. Can I just pursue the issue of the availability of seeds? The Soil Association has mentioned the evaluation by the Thünen Institute and that some of the independent evaluation did not support the conclusions of the Commission. I wondered whether this issue of the sourcing of seeds was one of the points mentioned by the Thünen Institute.

[41] **Mr Evans:** I think it would be better to ask that question of Chris Atkinson, as you would get a far better answer.

[42] **Jenny Rathbone:** Obviously, I will pursue it with the Soil Association, but I just wondered whether you had read the evaluation, as well.

[43] **Mr Evans:** No. I think it would be better to ask Chris Atkinson.

[44] **Jenny Rathbone:** Yes, sure.

[45] **William Powell:** Good morning, all. The organic sector is often seen by consumers

as representing a gold standard in terms of animal welfare—or it certainly aspires to that. Some of the proposals that have come forward regarding the dehorning of cattle could have some perverse consequences, I think. I know that both the NFU and the Soil Association have expressed quite a lot of scepticism on that, and anyone who has seen the results of cattle having a scrap or issues around feeding time or bulling or other particular phases, will know that it is not such a straightforward issue. I wonder whether you could elaborate on your concerns regarding the proposals for the banning of dehorning practices.

[46] **Mr Davies:** As a farmer, you recognise the importance of it. Witnessing what cows get up to when they have a pair of horns on them and the brutality they inflict on their counterparts, the neighbours they have, in their grazing zone, which they maintain to themselves, you know they are quite brutal with how they use them. You do not realise it until you see what one animal can do with horns. It is quite a scary environment—to man, as well. We have to TB test every six months at the moment, and for cattle to be running up through handling systems with horns is a bizarre idea, not to say entirely dangerous because the headstocks do not operate for horns. So, you would have to change your handling system around that, as well. The self-locking yokes do not work with horns, so we would have to change the whole infrastructure of the cattle handling systems to run with it, as well, and that is not to mention tail-docking. Thinking about maggots, as well, that would be absolutely brutal to the animal. So, there would be some clearly unthought-through consequences of these actions if this were allowed to go forward, I feel.

[47] **Alun Ffred Jones:** Anybody else?

[48] **Mr Evans:** Yes. On that matter, as an organic farmer, I can say that it is not a regular occurrence for organic farmers to dehorn, and, where it is, the standards are that they should be suitably qualified. For my part, on the dairy side, we are disbudding calves at an early age, at about three weeks, which means that you anaesthetise the calf and remove the bud, and it is relatively painless. My concern at the Commission's proposal is that you will get disbudding lumped in with dehorning, which is a far different matter; both are methods of removing the horn, but one is at such an early stage, when the animal is in the infancy of life, that it is a lot less painful. We need to make sure that they are not put in together or at least come down on the same rule.

[49] **Ms Nowell-Phillips:** I think, as well, that what sometimes happens is that Europe, as some of you will know, does not actually realise that farming in the UK can be quite different in terms of the levels and densities of stocking. A lot of cattle in some other countries are routinely left with horns, but the systems that we use in the UK are quite different. We often come up against this: the EU mindset does not always cater for the way that we farm in the UK.

[50] **Alun Ffred Jones:** Russell, you are next.

[51] **Russell George:** Thank you, Chair. Good morning, all. I wanted to ask some questions about the Glastir organic scheme, and I notice that, FUW, in your evidence, you have shown some concern that the application window for the Welsh Government's Glastir organic scheme means that farmers will have to sign up and commit to agreements without actually knowing what the EU legislation will require of them. So, I would be grateful if you could talk to that point and say what you believe that the Welsh Government could do to address some of the uncertainties about the proposals.

[52] **Ms Nowell-Phillips:** I think, from the FUW's point of view, quite a number of the Glastir organic applications on behalf of farmers, or with farmers, because, as you know, it was an online system, and we are still in a position where a lot of farmers either do not have access to broadband or do not feel themselves competent to undertake online form filling at

this point—. It was a concern that came up from our staff who are helping farmers submit organic applications, knowing that there is, potentially, a regulation that could materially change people's minds, particularly with delegated Acts with the Commission, which means, basically, that it can do what it likes and introduce what it wants. So, we do not know what we are going to end up with. We have highlighted this to farmers; we have tried not to make it the be-all and end-all, and I do not think that any farmer has not signed up, of the ones who came to the offices. However, it is certainly a risk that they have to be aware of, and I think that, perhaps, while farmers are aware that there is a review of the organic regulation in Europe, at ground level, the implications of that have not been made clear.

[53] **Russell George:** Is there anything that the Welsh Government can do to help with the uncertainties?

[54] **Mr Davies:** This is coming in in the middle of 2017, and farmers are just about to embark on a five-year contract with the Welsh Government, and I do not know how this will fare in terms of the understanding that you have signed a contract not knowing the implications of potential legislation changes in the future. I do not know whether you can safeguard that contract based on any legal changes after the contract has been signed. I do not know whether you can explore those avenues, because that could, potentially, cause problems for both sides.

[55] **Ms Lewis-Davies:** Potentially, you could explore options for withdrawal midway through the contract without risk of penalty. That may be worth exploring, should the regulation be introduced as it currently stands, because, for livestock producers in particular in Wales, it is going to have quite significant impacts, I would suggest.

10:00

[56] **Russell George:** I have just one question. I think it was in the evidence, Rhian, that you suggested that there is a short application window as well. Is that right?

[57] **Ms Nowell-Phillips:** It was quite short, particularly because our offices were filling a lot of applications in, and that puts pressure on their jobs as well. It is a service that we offer to members, but, when you have quite a limited window, it does put pressure on.

[58] **Antoinette Sandbach:** May I move on to inspections? The proposals are to go to a risk-based approach. What is your view on that, and do you support the risk-based approach, or do you think that the inspection regime should continue as it is at present?

[59] **Ms Nowell-Phillips:** It was quite funny, actually, because, as a union, we are particularly supportive of risk-based inspections. That means, if farmers are to undertake positive moves to reduce the risk of things going wrong, then they should benefit from that. However, a number of our organic producers came back and said that they felt that it would not help the transparency and that an annual inspection was still important. So, we have a general union policy that is supportive of a risk-based approach, but it is quite surprising how many individual organic farmers felt that that helped to make the whole organic ethos more robust.

[60] **Ms Lewis-Davies:** I think it is worth noting as well that the reality of the marketplace is that major retailers may in fact demand an annual inspection anyway. So, yes, I think that, on the annual inspection, we would have a similar position to the FUW overall, but a lot of our members did come back and say that, in the organic situation, they did quite like the idea of having the annual inspection, not least because it maintains that element of boost in consumer confidence, which is all about the marketability of the product at the end of the day, is it not?

[61] **Mr Davies:** From a farmer's perspective, you actually glean a lot of information from the inspection as well, you know; you are upgraded with the current legislation levels, and it is a soundbite. I know that the certification body is actually quite concerned that, if we do not get on farm, we lose the face-to-face contact, which is quite important. So, risk-based inspections are possibly the future, but this needs to be based on an all-round annual certification visit, I would have thought.

[62] **Alun Ffred Jones:** William Powell, you are next.

[63] **William Powell:** Thank you, Chair. I was very interested to hear the fact that, in many ways, you regard the annual inspection as almost a sort of source of reassurance in giving extra structure and confidence. One issue that is sometimes raised is the length of time that a particular farm is inspected by a particular inspector, because there are arguments both sides there, because you have the familiarity and the growing of the business, and maybe watching a business grow, but, on the other hand, there could be, from a transparency perspective, concerns if you had a relationship with a particular inspector within a certification body that went on for too long. What thoughts do you have in that regard as to what the optimum sort of relationship is?

[64] **Mr Davies:** It is nice to build up trust in a certain person, but also, there is a tendency in certification bodies that you will only get a visit two or three times from the same person, as they will move that person on purposely in case that relationship develops beyond any scrutiny. So, they obviously have systems in place already to counteract any favouritism between—

[65] **William Powell:** So, two or three-year cycles are normal.

[66] **Mr Davies:** Yes. We quite like to see the same inspector come back twice. There is some continuity in that, and they can see the improvements from the suggestions that they have made, but, on the third visit, you do tend to realise that, you know, you are risking an approach from scrutiny from outside. So, they are aware of that and therefore you will not get—. More than three years, I have not seen the same inspector twice.

[67] **William Powell:** That is interesting.

[68] **Mr Evans:** If I could, I would just also add that technology is also moving on, and a lot of the certification bodies, particularly the Soil Association, are investing a considerable sum of capital in the technological side to aid inspectors and licence holders. It is probably different for me at my age, with grey hairs, but my son is quite capable of using, for example, his telephone to mark up on the computer off the tractor in the future—and that is coming—how many loads of manure he has taken out, and the Soil Association's database, at some stage in the very near future, will be able to pick this up, so that the concept of the inspector coming on farm and asking the same question year after year, whether he is a new inspector or an existing one, should eventually diminish with the technological expertise that he will have, because he will know how many tonnes of concentrate you have made and what fields you have ploughed before he even gets on farm, whereas at the moment he is looking for the manual farm records as he arrives. So, the changing of the inspector will be ameliorated by this modern technology approach.

[69] **William Powell:** It is an interesting point. Thank you.

[70] **Alun Ffred Jones:** Antoinette is next.

[71] **Antoinette Sandbach:** Going back, your earlier evidence concerned the regional

approach and what should be the definition of a region. If we were to feed into this process in Europe from this committee, what would you advise us that a region should be? Should it be a UK region? Should we have it as a European region or should it be—? I think that you have already expressed concerns about the Welsh region, as it were.

[72] **Mr Evans:** I think my point on the region was simply that it has not been defined, but to answer your question as to how large should a region be, I think it is difficult. If we were sat in France, how big is the region? Would it incorporate Germany, the Netherlands, et cetera? From my farm perspective, if there is anything I need from a region it would be the protein crops that I am unable to grow in west Wales. I would add that I have a good go at it; we grow a lot of red clover and other protein crops, but the ones we really need to ensure that the dairy herd gets sufficient protein are things like lupins, which, as I said earlier, are experimental. So, in the end, we are relying on bringing some feedstuffs in from Europe to assist, and I would say that is even more important as well on the pigs and poultry side.

[73] **Alun Ffred Jones:** Julie Morgan is next.

[74] **Julie Morgan:** I want to pick up on what Rhian said earlier, that you did not feel that Europe understood the issues relating to Wales in particular. I wondered what consultation there has there been with you so far. I think that there have been consumer surveys, but has there been an opportunity to adequately reflect what you feel? I do not know whether consumers in Wales have had a chance to give any views.

[75] **Ms Nowell-Phillips:** Again, we come back to how we as the UK use Europe. What is clear to me is that when the Commission undertakes consumer surveys, there are a large number of people within wider Europe who will feed into the process, whereas in the UK you will have an element but it is not part of our common culture to undertake European Commission surveys.

[76] **Julie Morgan:** So, you do not respond or—

[77] **Ms Nowell-Phillips:** I am not saying that people do not respond, but I would consider that the people around this table as people who work with the Commission and people who understand how Europe works and so are more likely to pick up on the fact that there are polls and consultations. If you go on to the Europa website, you will see which consultations are currently out by the Commission. There are fantastic links to any polls, but I am not convinced that the general public in Wales or the UK is actively seeking them out. So, to start off with, if they went down to the representative value of who was actually responding to these, I think you would probably find that there are greater responses from continental Europe than from the UK.

[78] The issues with the general management of livestock is that because we are so livestock-predominant in Wales, we are always coming up against Commission officials who just cannot understand how many sheep we keep, for example. The electronic identification device example is something that you as a committee have dealt with over the years. It was based on small flocks in Italy and the way in which those flocks are managed—milking flocks of sheep, elsewhere in Europe, not common land, extensive grazing on mountains in Wales. That highlights how important it is for us to feed into these processes. However, we are one member state in the wider Europe.

[79] **Alun Ffred Jones:** We are coming to the end of our session. I have a question here, which I do not fully understand, but I hope that you will understand it. Could you outline your concerns about the proposals for setting a residual threshold for non-organic residues, which would require that a farm is decertified?

[80] **Mr Evans:** The problem here is that, strangely enough, it goes against the historical principle of the Commission, which it has always operated, namely that the polluter pays. The problem here is that, if an organic farmer had a threshold of anything—a pesticide, or whatever—in his crop, he is immediately decertified. The issue there is that, unlike the situation historically, where a full analysis and research would be done as to why that has happened, he would now automatically be disqualified. It certainly goes against the original principle that the polluter pays. That is one of the fundamental differences.

[81] **Jenny Rathbone:** I would like to pick up on Mr Evans's earlier point about having to source lupins from France. If the definition of a region was deemed to be the island of Britain, which would have some geographical coherence, would it not then stimulate more people to grow that source of protein for your livestock?

[82] **Mr Evans:** Yes, it would, in some ways. That is not to say that people have not done it, historically. I know quite a lot of people over the border in England who have grown them, and I have bought them from places around Oxford and other places. The main issue is that they are such a fickle thing to grow, with weeds and one or two other issues, such as rainfall, that possibly what has happened to the people who have grown them is that they have come out rather quickly, because the economics of it have not been conducive. So, I have found great difficulty in getting them. However, as I said to you, IBERS is doing a lot of good work and is trying to encourage them to grow in certain climatic conditions. However, it is difficult at the moment to get a quantity with the speed and the regulations.

[83] **Jenny Rathbone:** However, do you accept that, were the region to be defined as less than the whole of Europe, which is what it is at the moment, that would in itself stimulate market activity? For example, if the region was the island of Britain, would it not bring new entrants in to respond to market demand?

[84] **Mr Evans:** I think, possibly, it may well do, but as to whether it would bring them in within the timescale of the proposed Commission deadlines here, I would have my doubts, and there would be ramifications for the organic farmers at some stage.

[85] **Alun Ffred Jones:** Rachel, you have the very last word.

[86] **Ms Lewis-Davies:** On this subject, there is a need to recognise the inconsistency between years and growing seasons, and the problem, potentially, with a UK-defined region, is: what happens if, across the UK, we have a bad growing season? Where do these protein crops come from? It does increase our vulnerability, because yields will vary considerably, I would have thought, across good growing seasons and poor growing seasons. So, it does increase your risk. Therefore, there is more vulnerability.

[87] **Alun Ffred Jones:** Time has defeated us.

[88] Diolch yn fawr iawn i chi am ddod atom y bore yma ac am ein goleuo ni. Diolch yn fawr iawn i'r pedwar ohonoch chi am eich cyfraniadau. Byddwch yn cael *transcript* o'r dystiolaeth ichi sicrhau ei fod yn gywir. Diolch yn fawr iawn ichi unwaith eto.

[89] Thank you very much for coming to the committee this morning and for enlightening us. Thank you to the four of you for your contributions. You will receive the transcript of the evidence to check for any inaccuracies. Thank you very much, once more.

10:15

**Ymchwiliad i Gynhyrchu Organig a Labelu Cynhyrchion Organig: Sesiwn
Dystiolaeth 2**
**Inquiry into Organic Production and the Labelling of Organic Products:
Evidence Session 2**

[90] **Alun Ffred Jones:** Croesawaf y tri ohonoch i'r sesiwn hon, sy'n rhan o'n hymchwiliad i gynhyrchu organig a'r rheoliadau newydd sydd wedi cael eu hawgrymu gan y Comisiwn. Nid oes rhaid ichi bwyso'r botymau ar eich meicroffonau, a chewch gyfranu yn Gymraeg neu yn Saesneg, fel y dymunwch. Gofynnaf ichi yn gyntaf gyflwyno eich hunain, gan ddweud pwy ydych a phwy rydych yn ei gynrychioli ar gyfer y record, os gwelwch yn dda.

Alun Ffred Jones: I welcome the three of you to this session, which is part of our inquiry into organic production and the new regulations that have been put forward by the European Commission. You do not have to touch the buttons on your microphones, and you may contribute in Welsh or in English, as you wish. I ask you first of all to introduce yourselves to us, saying who you are and who you represent for the record, please.

[91] **Mr Clarkson:** Bore da. I am Stephen Clarkson, certification and compliance manager for one of the UK approved control bodies, Organic Farmers and Growers.

[92] **Mr Atkinson:** I am Chris Atkinson, head of standards at the Soil Association, which is a campaigning non-governmental organisation and one of the founding members of the organic movement. We also own the certification body that inspects organic farms.

[93] **Mr Edwards:** Bore da. I am Huw Edwards, a farmer in west Wales. I am also the senior inspector for the Organic Food Federation.

[94] **Alun Ffred Jones:** Diolch yn fawr iawn i chi. **Alun Ffred Jones:** Thank you very much.

[95] Jeff Cuthbert, you can kick off.

[96] **Jeff Cuthbert:** Good morning. I have general questions to start with. Could you, perhaps, give us a summary of your views on the practicality of the proposals? Are there any particular aspects that you are keen to support? I understand that you have some concerns about the use of the customer survey by the European Commission; you question its robustness. Finally, could you discuss the balance between the details set out in the main regulation and the detail that will follow in the delegated Acts?

[97] **Alun Ffred Jones:** Who would like to kick off?

[98] **Mr Edwards:** As the Organic Food Federation, we are absolutely in favour of anything that promotes organic produce within the wider market. We are in favour of the principles of the standards being looked at, to be updated, to strengthen the market, but we have some severe concerns about the proposals put forward. In your morning session, I think that you have heard that quite a wide range of clauses of articles are questionable. We would agree with those.

[99] One of the areas that we also have an issue with is the dual certification of farms. The proposals state that only one certification body can come in to certify a particular farm. We believe that this limits farmers' free choice. If they have two enterprises, for example—they might have an arable enterprise and a poultry enterprise—they might have two different certification bodies for those enterprises, for whatever reason. For example, it may have been imposed by the retailers or the purchasers; they might want a particular certification body to

cover one aspect. It might be due to cost issues; they might want to go with a different certification body, based on cost. However, it is all down the farmers' choice; it is a free market for them. We believe that this limits that choice, unfortunately.

[100] Moving on to the survey itself, as we touched on the survey there, the issue that we have with the survey is the way in which it was conducted and the percentages of the information gathered, and which member states that information came from. I believe that France came out as the most surveyed country and, unfortunately, for EU-wide recognition, it is imbalanced, in our opinion.

[101] **Jeff Cuthbert:** So, to what extent did the survey apply to Wales?

[102] **Mr Edwards:** There are a number of issues here that would affect Wales: the ban on the mixed farms, for example, which you heard about, and the ban on using non-organic seed. We have looked at this standard and we believe that there is another issue here. If farmers are within an environmental scheme, that would also limit them if they are doing any hedgerow restoration or tree planting, because the root stock there is non-organic. So, it does carry a wider implication than just the use of seeds.

[103] **Jeff Cuthbert:** So, are you making the point that the industry in Wales and consumers in Wales were not adequately consulted?

[104] **Mr Edwards:** Yes, absolutely.

[105] **Alun Ffred Jones:** Are there any other comments on the general points?

[106] **Mr Atkinson:** Yes. You asked about the practicability of the proposal; overall, the aims and objectives of the proposal are, if you like, motherhood and apple pie. What is not to like about trying to improve the integrity of organic production, bringing it closer to the principles, providing the basis for sustainable growth and meeting the expectations of consumers? They are all very fine aspirations that we would support. However, the proposal strikes us as being naive and not well thought through. So, we agree that the Commission has identified a number of important issues, but the way in which it has gone about addressing those is generally not adequate.

[107] Assessing the adequacy of what it proposes is difficult. You refer in your question to the delegated Acts aspect of the proposal, which I will come to in a minute, but reading it as a package is very difficult, because there is a high level of detail missing and it is quite obvious that some areas of the proposal are underdeveloped. Earlier, you were discussing the pesticide residues aspect of the proposal, and it is quite clear that the Commission has produced a bit of a starter for 10 in its proposal. We feel that that is an inadequate and inappropriate way of going around revising the legislation for this area.

[108] You are probably aware that the current legislation was reviewed as recently as 2008 and 2009, and the independent evaluation that was carried out by the Thünen Institute concluded that that legislation generally provided a good and solid basis for the control of organic farming, and should provide a basis for the sustainable development of the sector. So, we feel that, particularly after such a difficult time for organic producers in the UK—and in Wales in particular, where there is a predominance of mixed and livestock farming—this is a somewhat unlooked-for intervention by the Commission.

[109] There are many aspects of the current legislation that undoubtedly could do with improvement, but we feel that they are susceptible to incremental improvement, based on experience and evidence. We feel that the Commission has not actively considered all of the sources of experience and evidence that are available to it. You asked about the consumer

survey, which the Commission seems to have used and cites quite extensively throughout its impact assessment, but as has already been pointed out, the respondents to that all tended to come from France. I am trying to remember the figures. Off the top of my head, I think that respondents from the UK probably represented far less than 7% or 8% of those responding to the survey. I imagine that those from Wales were a very small number. From the Soil Association's side, we did try to promote the existence of the review and the consultation to our members and to producers. However, consumer engagement is a very difficult thing, and it appears that there was a very strong lobby in France, which produced a very particular set of responses and views that the Commission seems to rely on very heavily.

[110] As I said earlier, in evaluating the proposal overall, it is now exceedingly difficult because of the number of delegated acts that the Commission has reserved to itself. Much of the fine detail about what it is that you, as an organic producer, have to do on a day-to-day basis is simply missing from this proposal. That creates a high degree of nervousness: nervousness for those of us involved in the organic movement, because we are not clear about what we are going to end up with; and certainly for producers, particularly against a background of uncertainties associated with the current CAP review and the coming forward of new agri-environment payments. It just creates an environment where it is very difficult for organic businesses to see a way forward at the moment. So, we would certainly support bringing some of the detail back into the main body of the—

[111] **Alun Ffred Jones:** I am going to stop you there, because of our time constraints. We will come back to you. Is your question on this point, Russell?

[112] **Russell George:** On the survey, if you had an opportunity to take this up with the Commission, I wonder what we should be taking up. Is it the questions in the survey, or is it the promotion of the survey? Also, I believe that surveys are good things, and you are nodding as well. However, they have to ask the right questions and they have to encompass a wide group of people as well. Surely, it is a responsibility of organisations like yours to promote surveys to your members, because that is what was happening in France, by the sounds of it. So, there is a responsibility on you as organisations, but what can we say to the Commission? The evidence is that the Organic Trade Board said that the survey was irrelevant. So, it is so strong, and yet policy is being driven from that survey. What can we say to the Commission? What should the Commission be doing? How should it be doing things differently? Do you think that you have a role, as organisations, in promoting surveys as well?

[113] **Mr Atkinson:** We certainly have a role in working with—

[114] **Alun Ffred Jones:** Before you answer that, is your question on this point, Jenny?

[115] **Jenny Rathbone:** I wanted to pursue the Thünen Institute point.

[116] **Alun Ffred Jones:** Okay, we will come back to you.

[117] **Mr Atkinson:** We certainly have a role in promoting these things. The Soil Association is a membership organisation. We have 19,000 members, and we have encouraged them to answer the survey. However, I would encourage you to read the questions that the Commission asked, and perhaps if you have access to academics who know how to construct a good survey, they could perhaps give you a very quick critique of whether it was a good survey and whether there were assumptions and presumptions in the way that the questions were asked. They were rather closed; they were not open. They almost seemed to have the answer in mind when asking the question.

[118] **Russell George:** So, it is not just the promotion of the survey, it is the questions as

well.

[119] **Mr Atkinson:** Yes.

[120] **Mr Clarkson:** Some of the questions were factually incorrect as well. The questions that they were asking referring back to parts of the regulations were not correct as well. In terms of Organic Farmers and Growers, we concur with everything that Chris has said about the way that this is being conducted. We certainly support the aims and aspirations of the Commission. However, as a company, we were more supportive of the improved status quo, which is one of the three scenarios that they put forward, and we feel that this is somewhat taking a sledgehammer to crack a nut.

[121] **Russell George:** Do you think that it is right that the survey questions are consulted on? That would seem to be better. I would have thought that the Commission should be consulting a wide group of people on what the questions should be.

[122] **Mr Atkinson:** Certainly, in the Soil Association, we consult our members—our public members and our farmer and grower members—on a regular basis. The way in which we conduct consultations is something that we take a great deal of pain over. We generally pilot them before we release them into the wild. I think that if the Commission had piloted its questionnaire, it would have got some robust and useful feedback.

[123] **Alun Ffred Jones:** Jenny is next.

[124] **Jenny Rathbone:** I just wanted to pursue the point that you made in your written statement about the Thünen Institute evaluation. Could you outline which aspects of the evaluation were ignored in the conclusions of the Commission?

[125] **Mr Atkinson:** I think that it is fair to say—and you can perhaps ask Nic Lampkin more about this later, because his institution was one of those involved in contributing to the report—that, generally, it found that the current legislation is adequate, and the issues were around implementation and interpretation.

10:30

[126] It is about how smart the legislation is in terms of being easy to understand and to implement and interpret in diverse and different circumstances. So, to a certain extent, it has to be a one-size-fits-all approach, but here we are in the warm, wet west with an Atlantic climate, and that legislation has to apply in Cyprus, which, even on a bad day, is probably slightly better favoured with things like sunshine, but certainly does not have as much rain. Agriculture looks very different north, south, east and west within the European Union, so the way in which you write legislation has to be really well thought through and needs to feed on the experience of practitioners. So, we feel that the Thünen Institute report has been underutilised by the Commission, but also the reporting process was underutilised. It could have asked those experts to really dig into and diagnose those areas where it is felt that the legislation is perhaps not having the impact on the ground that the Commission would envisage or anticipate. So, we feel that that was money badly spent in terms of how well or not well it used those experts.

[127] **Alun Ffred Jones:** We will move on. I call on William Powell.

[128] **William Powell:** You have already expressed some concerns, as indeed did the previous panel, regarding the removal of the derogation for sourcing particular categories of conventional seeds, but could you expand on your thoughts with regard to the proposal to remove the exemption or derogation on non-organic breeding stock and the impact that that

could have at the farm gate?

[129] **Mr Clarkson:** Currently, within the whole of the UK, there would not be enough organic breeding stock available to furnish all of those that are required within the system. So, if a farmer wants to buy organic stock, they, invariably at the moment, cannot find what they are looking for, so they request approval to buy non-organic. If you then remove that, you not only stop them from buying in the non-organic stock, but you also stop them from bringing in new bloodlines, which is essential for genetics and breeding. So, it is effectively closing the system.

[130] **Mr Edwards:** I have to agree with Stephen. The issue is, with organics, in looking at becoming organic and looking to convert—and, obviously, you discussed business plans and business models this morning—if you go down the route of being somewhat niche within organic by setting up a unique enterprise within organic farming, say you take on water buffalo, for example, there is a question regarding how widely available organic water buffalo are in the UK. It is very limited. You are then reliant on stocks coming from Europe, so you are transferring organic—

[131] **Alun Ffred Jones:** How common are water buffalo anyway?

[132] **Mr Edwards:** Surprisingly common, in terms of niche animals.

[133] **Mr Clarkson:** There are a number of organic water buffalo herds out there.

[134] **William Powell:** For dairy.

[135] **Mr Clarkson:** Yes.

[136] **Mr Atkinson:** I think our message in this is that organic production, and livestock production in particular, is still in a capacity-building phase in the EU. There have only been harmonised rules for 14 years and, in terms of the development of a farming system, it is the blink of an eye. So, it is naïve to expect that we will be where we want to get to at this time. So, the maintenance of carefully crafted transition and exceptional rules is something that we must—

[137] **William Powell:** How widespread is the use of artificial insemination in the organic sector?

[138] **Mr Clarkson:** It is very widespread. Certainly within the dairy sector, most farmers would be using AI.

[139] **William Powell:** Would there be further restriction in that area, given the current proposals, as you read them?

[140] **Mr Clarkson:** There does not appear to be; it is only on bringing in the physical breeding stock itself. So, you would still be able to breed your own replacements.

[141] **Antoinette Sandbach:** I wanted to ask about the implications of requiring farms to be 100% organic prior to certification and also the mixed-farming systems. I know that you heard the previous evidence, but it is important for us to hear your evidence on those two things.

[142] **Mr Clarkson:** Certainly, with regard to OFG, probably about 20% to 25% of our farms are mixed organic and non-organic. In the UK, all of the control bodies run a system whereby we will check the non-organic side of a farm when we go in to check the organic

side. So, it gives us an extra control within the system to ensure that there is no crossover of organic and non-organic. There are two aspects in terms of removing that. The businesses are set up to run with two—non-organic and organic—and if you remove the allowance for them to have non-organic systems, it puts added pressure on their business. We also think that it removes the control that is essential for us because, once you say to somebody that they are not allowed to do it, they will then spilt their system, so we will then have no jurisdiction over that non-organic business, and, effectively, that is then blind to us and we cannot see what is happening.

[143] **Mr Edwards:** However, from a personal point, I have been on farms that are organic and non-organic, and I have inspected the non-organic element and found that everything on the organic integrity side is fine, but there are a few things that can be improved for the non-organic side for the farmer, which further increases the organic integrity. As Stephen said, it is paramount for us to be able to check that with dual-certified farms—organic and non-organic.

[144] **Mr Atkinson:** We would like to see all farms being organic. However, for the purposes of the legislation, it is quite clear that this provision is improving integrity. As Stephen said, we feel that the proposal decreases integrity, because it envisages fencing off the organic part of a business from everything else around it. We think that is just naïve. It is ignorant of the way in which businesses and people work and are involved in other areas of production. So, we see that it actually undermines integrity rather than adding to it.

[145] **Antoinette Sandbach:** What about the requirement for it to be 100% organic prior to certification? I understood that that was the position on the organic side, that you were considered to be non-organic until you had done your switch.

[146] **William Powell:** Transition.

[147] **Antoinette Sandbach:** Yes, your transition.

[148] **Mr Clarkson:** When you say 100%, do you mean the specifics in terms of feed, or are you talking about the business itself?

[149] **Antoinette Sandbach:** I mean feed again, because there are issues around feed and getting feeds—

[150] **Mr Clarkson:** Certainly, as we heard earlier, there are two issues with feed and it depends on the livestock that you have. In terms of dairy stock or bovines, ruminants, we are looking at 100% organic feed, at the moment anyway, but with non-herbivores—pigs and poultry—then there is this 5% allowance for non-organic feed, which is specific to protein. In terms of feed, protein is the real issue. We do not grow protein, certainly in terms of poultry feed, particularly well in this country, so we are looking at importing protein. The witnesses this morning said that they were importing lupines from France. In terms of poultry feed, you are looking at soya from China. Whilst, in the long term, that is perhaps not sustainable, currently, in order to feed the amount of non-organic poultry that we have, it is essential for the system.

[151] **Alun Ffred Jones:** Julie Morgan is next.

[152] **Julie Morgan:** I was going to ask you about the new animal welfare requirements and, in particular, the dehorning issue. We heard what the previous panel said. I want to ask you what your views are.

[153] **Mr Edwards:** On the welfare side, and in particular the dehorning side, it is looking

at the welfare of the animal. You have the issues on feeding. You also have the operator welfare. As part of the organic inspection, yes, we look at the organic integrity when we are on farm, but another important aspect is the animal welfare side. It is very possible that we would be raising non-compliances on animal welfare for the ones that have not been dehorned, unfortunately, due to the bullying aspect and the territorial aspect of the stock. It is a huge issue there. Also, when you look at matters further on, you look at the tail docking of sheep and lambs in particular, but that is done on welfare grounds, and it would be a backward step to claim that their welfare undermines the welfare standards that we have in Wales.

[154] **Julie Morgan:** So, why do you think that these particular proposals have come forward?

[155] **Mr Edwards:** They have been brought in from a consumer's point. They have been brought in at an EU level consumer point that does not understand farming in Wales, unfortunately.

[156] **Mr Clarkson:** I think that it possibly comes back to the questionnaire. If you ask a question in a particular way, you will get the answer that you want from it. We could conceivably be giving non-compliances to people who are dehorning their calves, because, if it is not allowed, I personally cannot see that people who have been doing it for a number of years for welfare and safety reasons are going to stop doing it. So, conceivably, we could be making people non-compliant in that respect.

[157] **Alun Ffred Jones:** May I suggest something? We had farmers and practitioners in earlier and, to a certain extent, you represent those who certify and inspect the growers. There is a great deal of agreement between you and it is almost as if you decided that you were going to defend your position, because it is very nice, thank you, already, and you do not want to see standards rise in this particular field.

[158] **Mr Edwards:** May I just say that we do not always see eye to eye on certification issues? [*Laughter.*]

[159] **Alun Ffred Jones:** Is this a case of, 'They would say that, wouldn't they?' or is there—

[160] **Mr Atkinson:** I appreciate what you are saying here. I think, from the Soil Association's point of view, what we have concentrated on in our submission to you is those areas that we think are most relevant to Wales and the real big-ticket issues around what is in the proposal, which is very broad; it addresses all aspects of organic production and there are literally hundreds of issues for us to address. So, we chose to concentrate on those areas that we feel would be the most disruptive to production in the UK and those that we feel genuinely do not add anything to the integrity and development of organic production. So, yes, I am sure that there is an element of, 'They would say that anyway', but I do not think that you should underestimate the ambition or ambitiousness of those organisations that are involved in organic production. I think that certification bodies involved in inspecting organic farms are perhaps somewhat unusual in that they generally want to see progress and progression in the businesses that they inspect. We all generally want to see improvements in what organic farming can deliver. So, please do not underestimate our level of ambition for improvement.

[161] **Mr Clarkson:** It is certainly not just within the UK either. Chris is sat in here with his IFOAM badge on, which is clearly a principled movement, but it is not in agreement with a number of things within this proposal. So, it is certainly not just us as certifiers and the farmers that have collaborated and come up with this; there is EU-wide discontent with the way in which this has been done.

[162] **Alun Ffred Jones:** Diolch yn fawr. **Alun Ffred Jones:** Thank you very much. Jenny Rathbone sydd nesaf. Jenny Rathbone is next.

[163] **Jenny Rathbone:** One of the big issues in terms of reducing food miles is the fact that less than 20% of organic farms in Wales are horticultural. I wonder whether you could tell us in what way you think that these new measures would stimulate more or less horticulture.

[164] **Mr Atkinson:** From the Soil Association's point of view, this is one of the weaknesses of the proposal. It seems to be trying to lever development through tweaking the organic standards, whereas we feel that it is the wider policy environment that needs to be addressed and adapted to encourage the development of organic production. So, there is a European organic action plan as part of the legislative package, and that has lots of fine aspirations in it and perhaps gives lots of steers to member states about how they might deploy the money available under the RDP, et cetera.

[165] However, the fact is that the common agricultural policy and CAP reform still provides a relatively hostile environment for a lot of organic production. For those areas that are not particularly heavily supported through the CAP, their ability to gain access to markets and a profile in markets is still very limited. So, we feel that trying to lever all of these changes through altering the organic standards is inappropriate, and it needs a wider policy base to address those things that are inhibiting or preventing people coming into organic production.

[166] **Jenny Rathbone:** Is there any evidence that the non-organic sector has hijacked the agenda with the Commission and made it more difficult?

[167] **Mr Atkinson:** No, I do not think that there is any evidence that that is the case. I think it is more based around the fact that there is only so much money to go around, and there are large vested interests already directing where that goes. I do not think that there has been any sabotaging of what the Commission has been trying to do. I just think that it is not using the right instruments.

10:45

[168] **Alun Ffred Jones:** Are there any questions? I turn to Bill Powell.

[169] **William Powell:** Thank you, Chair. I wonder whether you could take a step back and give us your assessment of what the health of the organic sector in Wales currently is, because we have had some indications from Organic Centre Wales that 2008-13 were difficult times, but now there has been something of a turnaround. Clearly, these proposals bring threats of their own. I have had suggestions from people that I met, particularly relatively recently at the Royal Welsh Show, that there has been quite a significant recent exodus. This was someone who represented the red meat sector and was very concerned about the continuity and regularity of supply. As I said, I wonder if you could take a step back and give us your assessment of where we currently stand and what the impact of these proposals could be in the round.

[170] **Mr Edwards:** Overall, I think that you are quite right in saying that organics have been knocked quite significantly, especially within the recession. However, it did not decline as much as everyone had anticipated. It got to a level that was then sustained. Overall, organic sales in the UK are positive; they are on the increase, but not as fast as the development that we are seeing in Europe, unfortunately. We have quite a way to go to catch up there, but, within Wales, as I have said, we have lost a lot of red meat producers. A lot of that has come

from the second round of the conversion grants that came in. The five-year period has come to an end and the farmers have then said, ‘Okay, thank you very much—that is me for organics’. However, there is an element of positivity behind organics, and there is the Glastir scheme coming in. Obviously, there are the CAP reforms coming in as well, and the greening payments within that. So, everything is positive towards organic, but it does need support. When I say ‘support’, there does need to be a positive outcome. There needs to be a long-term goal. So, farmers, when they are planning to become organic, or even ones that are organic, and thinking about sustaining the accreditation—

[171] **William Powell:** Confidence issues.

[172] **Mr Edwards:** Absolutely, yes. They can see that there are proposals behind there. They can understand what the proposals are; they know how they are going to farm within the scheme. The only element, if we look at the UK as a whole, is that we have seen organic growth but we have not seen the same level of growth coming from farms. So, we are seeing a dominance of imports coming into the UK to bolster that.

[173] **Mr Clarkson:** We clearly have had some tough times over the past five or six years, but we are now starting to see some green shoots. Clearly, Organic Centre Wales is starting to see a little bit of interest in the new Glastir scheme, which is positive, but the uncertainty, I think, over this proposal and not knowing the exact detail of what will happen has the potential to derail those positive notes. That is a real concern for us and, I imagine, for the other certifiers as well.

[174] **Jeff Cuthbert:** I think that it was Stephen who said, in response to an earlier question, in terms of the proposals, that there was EU-wide discontent. That is right.

[175] **Mr Clarkson:** Yes, it is.

[176] **Jeff Cuthbert:** Is it, in fact, likely that the proposals will see the light of day?

[177] **Mr Clarkson:** I am not sure that I can answer that, as to whether they will not. I think that it is Hungary recently—and Chris might correct me if I am wrong—that has completely opposed the proposal. Certainly, DEFRA has had numerous discussions with the Commission at what were standing committee meetings and, on behalf of the UK, has put forward proposals and certainly our views on the proposals on where we feel that that should go. It appears, with discussions with DEFRA, that others within that standing committee are also concerned about the proposals.

[178] **Mr Atkinson:** We are aware that some member states have come out very strongly against the proposal. The Germans have rejected it; the Dutch do not like it; the Danes are on the verge of saying that they do not like it; and the Visegrád group of nations—the Czech Republic and neighbouring more recent members of the EU—produced a declaration a couple of weeks ago in which they were heavily critical of the proposal. It is very difficult politically for member states to reject the proposal as a whole because of the way that the dialogue works around debating the regulation. If, for example, the Council of Ministers came out now and rejected the proposal, it would make things very difficult with the new Commission and the new commissioner. However, there really is a very high degree of scepticism and concern about where this proposal is at the moment.

[179] **Jeff Cuthbert:** So, there seems to be, from what you are saying—you did not mention France in that group of countries [*Laughter.*—a fairly widespread desire for modification to the proposal, even if they have difficulty in voting against the whole lot. Are those requests for modification similar to the points of view that you have?

[180] **Mr Atkinson:** The Italian presidency has been leading work on this legislation, and, because the proposal was launched at the time when the European Parliament was being re-elected, the only actual work on the proposal at the moment has been at the Council of Ministers level. The Italians have the presidency until the end of this year. They have invested a tremendous amount of resource in a line-by-line reading of the proposal, and I understand that they have just produced an alternative text, which reflects many of the modifications that were suggested through the consultations that DEFRA held earlier in the year. So, DEFRA sent around a note last week giving highlights of where it thinks things have got to. So, the things that we are telling you about are very widely supported right across Europe.

[181] **Alun Ffred Jones:** There is information about the number of countries that have expressed opposition, but it seems that the commissioner does intend to take them forward, though with modification, whatever that might mean.

[182] Are there any further questions before I bring this session to a close? No. May I thank you for coming along and presenting your views? You will get a copy of the transcript to check for accuracy.

[183] **Mr Atkinson:** Thank you for the opportunity.

[184] **Mr Edwards:** Diolch yn fawr. **Mr Edwards:** Thank you very much.

[185] **Alun Ffred Jones:** Fe gawn ni egwyl rŵan. **Alun Ffred Jones:** We will now take a break.

[186] We will have a break and we we will see you back in a quarter of an hour.

*Gohiriwyd y cyfarfod rhwng 10:52 a 11:09.
The meeting adjourned between 10:52 and 11:09.*

Ymchwiliad i Gynhyrchu Organig a Labelu Cynhyrchion Organig: Sesiwn Dystiolaeth 3

Inquiry into Organic Production and the Labelling of Organic Products: Evidence Session 3

[187] **Alun Ffred Jones:** Fe wnawn ni ailagor y pwyllgor a chario ymlaen gyda'r ymchwiliad i ffermio organig. Dyma'r drydedd sesiwn a'r sesiwn olaf fel rhan o'r ymchwiliad hwn. A gaf i groesawu'r ddau dyst sydd yma? A gaf i ofyn i'r ddau ohonoch i gyflwyno'ch hunain, os gwelwch ei fod yn dda, a dweud pwy rydych chi'n ei gynrychioli? Yna, gofynnaf i'r Aelodau ofyn eu cwestiynau. **Alun Ffred Jones:** We will reconvene the committee and continue with our inquiry into organic farming. This is the third session and the final session as part of this inquiry. May I welcome the two witnesses who are present? May I ask the two of you to introduce yourselves, please, and tell us who you represent? Then I will ask the Members to ask their questions.

[188] Do not press the button.

[189] **Mr Lampkin:** It goes on automatically, does it? Diolch yn fawr.

[190] Bore da. I am Nic Lampkin, director of the Organic Research Centre, but I was previously director of Organic Centre Wales and chair of the agri-food strategy group for organic farming for a period.

[191] **Mr Little:** I am Tony Little. I am from Organic Centre Wales, which is a centre for information and support for organic food and farming in Wales.

[192] **Alun Ffred Jones:** Diolch yn fawr iawn. Thank you for coming in. Jeff Cuthbert will kick off.

[193] **Jeff Cuthbert:** Thank you very much. Good morning. First of all, on some of the general issues, I wonder whether you could set out how you think these proposals compare with the evaluation of the existing regulation that you are familiar with; outline any particular areas that you support within the proposals, and also those where you think uncertainty may be created for the sector by the regulations; tell us whether you have any views on the robustness of the impact assessment and the way in which the consumer survey was conducted; and finally, from me, tell us about the use of the delegated Acts, and in particular the concerns that you may have about that.

[194] **Alun Ffred Jones:** So, some nice, simple questions there. [*Laughter.*]

[195] **Jeff Cuthbert:** Indeed.

[196] **Mr Lampkin:** There are quite a few topics in there, so if I miss a couple out, forgive me. I will come back to them.

[197] **Jeff Cuthbert:** I will remind you.

[198] **Mr Lampkin:** Yes. I think that the key issue is that the evaluation of the existing regulations that we were engaged with did identify that there was some need for improvement, but not to the extent of requiring a wholesale revision. That was also taken from the point of view that the organic producers need stability in terms of their investment decisions and the ability to adapt gradually to situations, rather than be expected every five years or so to make wholesale changes to what they are doing.

[199] One of the problems with the external evaluation of the regulation was that it was not asked to address some of the questions that were then taken up by the revised regulation. So, there was a mismatch between the requirements for that evaluation and the way the regulation has now been framed. I think that this relates to the last part of your question, which is about the impact assessment. The impact assessment was almost entirely, in my view, drawn on the perception of the consumer consultation exercise, which was very heavily dominated by consumers, and there was very little done to investigate what would be the real impact on organic businesses of some of the changes that were being implemented. While I think that many of us welcome the fact that there is a greater focus on organic principles in the new regulation, at the moment, because of the delegated Acts element, it is very difficult to see how some of that will actually be taken forward in practice, because it is not in the draft of the regulation. There is also a real problem about how much of the organic principles you can achieve through the certification process in the regulations, and how much might be better delivered through other mechanisms such as improved training and information. I do not think that everything should be attempted through regulation in order to get improved change and improvements in farming behaviour. There is a point at which you overload people with regulation. It is a voluntary act to become an organic farmer, and so it is not as though it is a regulation applying to every farmer, whether they like it or not. You can choose whether you want to subject yourself to this regulation. If you make it too onerous, which I think this current regulation proposal does, then it is very easy for people just to decide that they are not going to submit themselves to it. In that sense, it is counter-productive.

[200] I have not answered all your points, but I think that that is probably a good point to pause on.

[201] **Jeff Cuthbert:** Perhaps, Tony, you want to comment. Can I just press you on one point? You said that, in terms of the impact assessment, it was based largely on the views of consumers, if I heard you correctly, with relatively little account taken of the views of organic businesses. Now, why was that? Do you think that there was a deliberate attempt to exclude businesses, or did businesses and their representatives choose not to engage?

11:15

[202] **Mr Lampkin:** No, it was a public consultation and it did achieve something like 45,000 responses from across Europe. However, our understanding is that 80% of those responses came from France, and they were very heavily dominated by consumer responses within that group. So, it was not as if someone had gone out to do a survey and had ensured that that was a representative sample of opinions across the different perspectives and sectors. I do not want to use the derogatory term 'bias', but it was a heavily skewed response to French consumers in particular, who seem to have had a much better process of engagement with the consultation than perhaps happened in other countries. Against that background, the views of individual producers would have had very little impact, because consumers, by their nature, are in much greater numbers.

[203] **Mr Little:** I do not think that I have anything to add on the specifics of the response to the regulation itself, but what I will say is that my job involves a great deal of contact with farmers through the development of the new Glastir organic scheme, particularly during the application window. There is a certain amount of concern among farmers that they are unclear about what is going to happen to the organic regulation in the future. That is causing some concern and has led to some people deciding not to commit to a five-year Glastir agreement. There is a certain feeling, as well, that individual farmers have no influence or power over the process. I think that that is a fairly widespread feeling.

[204] **Russell George:** Good morning. I want to talk about the promotion of the organic sector. I know, Mr Lampkin, that, in your evidence, you have pointed out, quite correctly, of course, that many organic producers pay a levy to boards such as Hybu Cig Cymru, and your evidence suggests that they are not sufficiently promoting the organic sector. Could you talk a little on that point?

[205] **Mr Lampkin:** Yes. I will declare an interest in that I was a board member of Hybu Cig Cymru for three years, so I have had some experience of the issue. The principle that has been dominant in Hybu Cig Cymru, as in other levy companies—so, it is not just Hybu Cig Cymru—is that they are there to work on behalf of the whole sector, not on behalf of sub-sectors within it. So, they have very much refused to engage with direct activities either to promote organic food or to assist with other activities like market intelligence, which is targeted particularly at organic farmers. In my view, given that any beef and sheep farmer in Wales could choose to be organic, it is not as though it is a sector that is excluding other levy payers, but it is also true that organic farmers do pay the levy like any other farmer, and yet do not benefit from a lot of the services that are provided. That is because they are not relevant to them as organic producers. So, there is a mismatch there, which many farmers feel aggrieved about.

[206] **Russell George:** I remember when Hybu Cig Cymru came here, six months or so ago, and I asked a very similar question. Its witnesses suggested that it does market organic produce in a good way. Is your comment a criticism of Hybu Cig Cymru? Is it to do with the way in which it is structured as an organisation, or is it a specific policy within Hybu Cig Cymru? How can it change to do what you would like it to do?

[207] **Mr Lampkin:** I think it would be desirable for Hybu Cig Cymru to be guided

through the Welsh Government, because the Welsh Government is, in the end, the owner of Hybu Cig Cymru, to give some specific attention and report on activities that are targeting the organic sector and, particularly, the organic levy payers.

[208] **Russell George:** So, are you saying that it is not Hybu Cig Cymru that can make that change, but it has to be the Welsh Government forcing Hybu Cig Cymru to change, as it cannot change itself?

[209] **Mr Lampkin:** In my view, and experience in other countries has demonstrated this, there is some need for top-down guidance on this issue.

[210] **Russell George:** What else can Welsh Government do, apart from persuading levy boards like Hybu Cig Cymru, to better promote the organic sector?

[211] **Mr Lampkin:** Apart from the issues that can be done through levy companies like Hybu Cig Cymru or DairyCo, for that matter, there are issues to do with public procurement, where a much greater emphasis on the role that organic food can play within public procurement could be taken up. At European level, organic food has been recognised as a key part of green procurement. That has been used quite widely in other countries, but it has not been widely adopted yet within the Welsh or UK framework. There is some emphasis on organic, but very little. Organic has the advantage in that the regulation is an EU-wide one. Some of the single market issues related to public procurement focused on local production. Those issues do not apply to the organic sector because the organic definition is not restricted in the same way.

[212] **Russell George:** You mentioned DairyCo as well, but can the Welsh Government have much influence on DairyCo?

[213] **Mr Lampkin:** The Welsh Government has less influence on DairyCo, but it works closely with DairyCo through the various mechanisms that it has open to it. That liaison with DairyCo still has some value to it, but the Welsh Government does not have a direct influence like it does with Hybu Cig Cymru.

[214] **Alun Ffred Jones:** On this issue, William.

[215] **William Powell:** Yes, Chair; thank you. Moving back for a moment, if I may, to the red meat sector, anecdotally I have picked up quite a lot of reports of organic store cattle and sheep going into the conventional market in recent times when there has been a relatively smaller premium available, for convenience and for other reasons. Do you have any statistics or any wider knowledge that you could bring to that point as to whether that is a significant issue for the future of the sector?

[216] **Mr Lampkin:** I will let Tony answer this one, because he has presented some statistics.

[217] **Mr Little:** Organic Centre Wales every year conducts a producer survey and we collect a range of data, including the number of stock that is produced and where that it is going and whether it goes on to a conventional or organic market. The data I have now are data that we collected last year, in 2013. Something like 40% of organic-finished lamb is going on to the conventional market at the moment, and that figure is much higher for store lambs. I do not have the figure here but it is something in the region of over 70%.

[218] **William Powell:** That is quite alarming to hear.

[219] **Mr Little:** For store lambs in particular it is because there is very little premium on

store lambs, and, because the organic certification system operates throughout the supply chain, if you are going to sell organic store lambs you have to sell them at registered markets, for instance. If there are additional costs in time or expense in getting to those organic certified processing and marketing systems, then the incentive to do so is very small.

[220] **William Powell:** That is interesting, because we heard from previous witnesses that there was quite a shortfall in some areas in terms of the end of the supply chain for retail, and we have a fall back in some areas on imports. What do you think needs to be done to avoid this loss to the sector by Welsh Government and in terms of any amendments to the regulations that we are discussing?

[221] **Mr Little:** As I said before, the data relate to 2013. Things move very quickly in terms of marketing, and I have also presented evidence to show that we can see signs of significant improvement in terms of market demand. There is, therefore, the potential for that to translate into higher premiums, particularly if we have had a reduction in the number of organic farmers; if the supply is tightening, then simple market economics may solve that problem to a certain extent.

[222] **William Powell:** I am grateful. Thank you.

[223] **Alun Ffred Jones:** Antoinette is next.

[224] **Antoinette Sandbach:** You advocated a move towards risk-based certification, but we have heard evidence from the suppliers on the other side of the market, as it were, that they quite like the annual inspections, and they feel that, often, their suppliers are requiring annual certification by particular bodies. So, why did you take this approach to risk-based certification?

[225] **Mr Lampkin:** There are different ways of applying risk-based certification. The question is about the frequency of inspection, whether an annual inspection process is the optimal frequency or not and whether, for some farmers, inspection might be done less frequently and others might need to be done more frequently.

[226] **Antoinette Sandbach:** However, if a supplier requires that annual inspection—

[227] **Mr Lampkin:** I think that it is reasonable, from an evaluation point of view, to question whether there is something sacrosanct about an annual inspection, given that the only way, arguably, that you can have full control is to be on the farm 24 hours a day. An inspection, at whatever interval, is an arbitrary decision. There is a confidence about the annual inspection; I will accept that. However, it is still also quite a burden, particularly on smaller farms, in terms of cost and administration. So, where you have farms that have a very good track record, and that may have been exemplary organic farmers for 20 or 30 years, the question is: do they still need to be subject to the same sort of inspection regime as other farms that have either gone through a series of non-compliances or have otherwise just come in to the system and have an uncertain track record? Do you need to have exactly the same procedure applying to both groups? I am not arguing necessarily that we should have a different view on the annual inspection issue. If it is really seen by the industry to be desirable in terms of consumer confidence, then fine. However, the idea of a risk-based approach is that you maybe apply more inspections where you feel concerned about an individual situation, and it can work in both directions.

[228] **Antoinette Sandbach:** I understand that. I suppose there is nothing to stop Rural Payments Wales or whoever from coming back, or, indeed, the individual certification organisations from coming back, if they do not feel that the annual inspection is sufficient. Could I move on to—? I believe that you are going to be the best people to tell us how many

people in Wales the proposed regulations would affect, particularly looking at on-farm mixed organic and non-organic. If this regulation comes in, what is the risk that those mixed systems will simply revert to being non-organic?

[229] **Mr Lampkin:** In terms of numbers of farms in total, we are probably still around the 600 farms that are certified organic in Wales. We do not have better statistics on the number of farms that are mixed holdings within that than those which has been quoted previously—it is around the 25% mark. It has been difficult to get precise information out of the statistical bodies on that question. However, I think that 25% is still a reasonable estimate there. This may have been identified by earlier speakers, but there is clearly—. You can distinguish two different situations. You can distinguish a situation where a conventional farm tags on an organic enterprise on the edge of it, and there is a sort of feeding off that, and it is not really a genuinely organic system. The implementation of regulations has moved on quite significantly from where that was the case, but there may be one or two exceptions in the poultry sector and so on, where I would still have concerns about that. So, I am not entirely comfortable with mixed farms. Equally, within UK agriculture, and generally in Wales as well, there are many situations where an individual agricultural business will have multiple holdings within that business, and I think that it is quite legitimate for a single holding within that group to be run organically as a well-developed organic unit, as long as all of the inspection procedures are in place. I am confident that that is the case within the inspection procedures that we now have in the UK. Equally, it is a major issue for research establishments and others. There was a time, when I was at Aberystwyth University, when it had its own organic units. It does not at the moment. Equally, if they need to be organic in order to qualify for certain research criteria and so on, they cannot be expected to run all of their farms organically in order to engage with that, and that is a major problem. There are a number of other specific situations where real problems could be caused by the view that has been taken in the new regulation.

[230] **Antoinette Sandbach:** We have heard substantial concerns about how realistic it is for Welsh organic farmers to source higher percentages of their feed from the region, and that is even if the region is defined at a UK level, particularly around protein. There are concerns, as I understand it, in the pig and poultry sectors, so I wonder whether you could expand on that.

11:30

[231] **Mr Little:** Certainly, it is absolutely true that it is a particular issue for pig and poultry. The organic pig and poultry sector in Wales is small, but it is important, because, first, it is one of the areas where the market is really growing, but it is also one of the ways in which small-scale producers can make their enterprises viable. There are certain things that we can do to help that. I have been doing quite a lot of work looking at how to make poultry feed more sustainable and linking up farmers in Wales and trying to look at local alternative protein crops, but I do not pretend for a minute that those sorts of initiatives will be able to sustain and produce the levels of protein that the Welsh organic pig and poultry sector requires.

[232] **Antoinette Sandbach:** So, what is your recommendation to us, if we are responding to this to the European Commission, on how we should define a region?

[233] **Mr Lampkin:** I am not sure. I have a feeling that the issue of the region, to some extent, is a red herring in the regulation, I have to say. Could I just take a moment to explain why? The key principle under organic farming is that farmers try to work, as much as possible, within closed cycles, and that includes with the feeding of the animals so that they are as self-reliant as possible within their farming system for the feed that they need to feed to the animals on the farm and we are not dragging in huge amounts of feed from across the

world to support that feeding. For most pasture-based farms, it is not an issue. It is an issue, which we might come back to, in terms of the proposed regulation change to limit the amount of in-conversion feed from the owned farm that can be fed on the farm. That is a real problem, but it is a separate question.

[234] For pigs and poultry, I think we have a problem that we need to think about, which is that it is being assumed in most cases that pig and poultry are primarily converters of grain into meat. So, where you have situations where there is limited grain availability, as in Wales, then it becomes a key question about where you source that grain from. However, in terms of organic principles, I would argue quite strongly—and I have taken this point of view in various other places—that we should also be placing much more emphasis on designing pig and poultry systems where more use is made of the range itself where they are ranging to provide their feed and nutrition and not everything is reliant on bought-in feeds from outside the farm. That is a technical question, but it is one that is being addressed by the expert group giving technical advice to the Commission on organic standards in terms of changes to poultry regulations.

[235] I was asked a question earlier about the delegated Acts, and it is questions like that which are, at the moment, invisible in the way that the regulation is defined, as to whether there will be a move to encourage poultry producers to become more self-reliant in that way. I think that there is a way of achieving closer cycles, which is for arable farms and poultry farms to link up more closely and you could encourage that. However, to say that we define a region as Wales, or that we define it as the UK or in some other way and then that normal trade is somehow achieving the objective, I think, misses the point, and we maybe need to be cleverer, but maybe the regulation is not the way to achieve that because it becomes too complicated to inspect. That is another area where we need to be much more careful.

[236] **Alun Ffred Jones:** Okay. Julie Morgan, do you have any other questions?

[237] **Julie Morgan:** No, thank you.

[238] **Alun Ffred Jones:** Jenny is next.

[239] **Jenny Rathbone:** Less than 20% of the organic sector is in horticulture. I wonder how you think the new regulations, if implemented, would either deter or encourage increased horticultural production, particularly given the issue around the sourcing of seeds.

[240] **Mr Little:** For horticulture, I think that seed is the No. 1 issue in this regulation and the No. 1 concern. A lot of organisations—Garden Organic, the Soil Association and others—are campaigning very actively and are very concerned about the impact of the regulations with respect to seed.

[241] Some of the issues surrounding the lack of horticulture in Wales are as much about supply chains. The structure of organic horticultural farms in Wales tends to be very small; many are less than 3 ha and, therefore, they do not get access to Glastir funding. The lack of a small farmers scheme in the next CAP will not do them any favours in terms of public support. Part of it is that we have a lot of small businesses scattered over a relatively large area in Wales, and access to things like packing and processing facilities is as much of a problem as the regulation.

[242] **Jenny Rathbone:** Why is it that the Glastir scheme does not include businesses that are less than 3 ha, because that, surely, is a way to start?

[243] **Mr Lampkin:** There are two things. I would probably emphasise that organic horticulture accounts for about 25% of Welsh horticulture. In that sense, it is actually quite

overrepresented in terms of the Welsh agricultural structures. I think that that is a success story in itself, although there is plenty of scope for further development.

[244] The issue of the Glastir organic scheme is that the 3 ha limit was applied to be consistent with all of the Glastir schemes. It could have been reduced to 1 ha, which would have been the very minimum possible under the EU regulations. I would say that there is a bigger problem to do with the 5 ha limit on the basic payment that has been implemented, because, had a small producer scheme been implemented, it would have enabled a lot of the smaller horticultural producers to be brought into the general support scheme. I think that there was an opportunity missed there to try to particularly address their needs.

[245] I think that the Glastir organic scheme has done a lot more for organic horticulture this time around than was previously available, so there is an improvement there. One of the big issues is that the costs of certification are very high per hectare for those smaller producers. So, if you are applying a cost of about £500 over 3 ha, you are looking at much more significant costs than you would on a typically sized farm in Wales. That is where this issue of group certification that is proposed under new the regulation is something that is worth thinking about. As we mention in our evidence, separately, we are commissioned by the Welsh Government to carry out a scoping study for a small producer scheme, which would try to pick up these various issues of size limits on Glastir organic, as well as costs of certification, potential for group certification and other opportunities for a more co-operative approach for these smaller producers to come on board.

[246] **Jenny Rathbone:** It is good to hear that 25% of the organic production in Wales is horticulture, nevertheless, that is from a very low base and our diet, overall, is skewed and there is a shortage of Welsh horticulture in terms of food miles, et cetera. A lot of the LEADER schemes in Europe have been very successful in getting communities that absolutely need vegetables for health reasons to grow vegetables. So, how could the regulations encourage more small schemes, which would be beneficial for those communities consuming the horticulture that they grow?

[247] **Mr Little:** I am not necessarily sure that the regulation itself is the answer to that. As you point out, there is a lot of interest in community growing and community supported agriculture, and that is growing from a small base but enjoying rapid growth at the moment. Perhaps the answers are more in supporting supply chain projects, as I talked about earlier. We have Horticulture Wales at the moment, and I work on the Better Organic Business Links project, which also has a role in helping to support those supply chain projects. I believe that we have substantial opportunities to develop those projects and take those ideas forward under the next RDP. I think it is through those sorts of initiatives rather than through regulation that we will start to crack some of those problems.

[248] **Jenny Rathbone:** Okay, because, obviously, very small schemes can develop into bigger schemes once people get the idea.

[249] **Mr Little:** Exactly. So, things become much easier.

[250] **Mr Lampkin:** Could I also say that I think that there is a need to recognise that the primary purpose of the regulations is to facilitate trade in organic products? I think that, for some very small-scale community schemes where there is no actual trade taking place but where people are working together to grow their own produce and things, there is plenty of advice and guidance on how to do that organically. However, it does not necessarily need to be brought into the ambit of the regulation. The regulation should be there to support the organic principles, where it is justified, but not necessarily to cover every single situation where you are trying to produce organically.

[251] **Alun Ffred Jones:** I now call William Powell, and then Antoinette.

[252] **William Powell:** Diolch, Gadeirydd. If I may, I would like to ask a couple more questions around the issue of the promotion of the organic sector as a whole. For example, do you feel that it would be productive to have, at a European level, a European organic centre or a European observatory that could be a central point for the co-ordination of statistics and sharing of best practice in terms of promotional activity? We have heard how the survey, to an extent, was skewed as a result of a monumental mobilisation among French consumers. They should not be blamed for that, but perhaps we need to learn from some of their actions in that respect. Do you think that such an observatory would have a role to play, and would you engage with it?

[253] **Mr Lampkin:** I think that there is a case, in general, for much better statistics and market data than we have available to us within the organic sector at the moment. Farmers would normally expect to pick up their *Farmers Weekly* every week and see market data listed in *Farmers Weekly*. There is not anything similar available to organic producers. That can be addressed, but, for a small sector, it is a difficult one to pick up. That can be addressed through national observatories or initiatives like that to improve market data, but it also needs to be addressed at the European level. At the moment, there is a very small unit within Eurostat compiling some data on organic land, which is collected from all of the countries and so on, but, actually, it does not have the capacity to analyse all of that data, or fill in the gaps, and there are some real unknowns, prices, import and export data—a whole range of things—where it is really difficult for individual businesses to make sensible investment decisions because they just do not have the data on which to do that. I think that there is a very strong case for improved market data if a European observatory, which I believe it would help, is part of that process. I think that that is something that the Commission should be investing in in order make sure that there is much better data availability.

[254] **William Powell:** That is helpful. I have a couple of other brief questions around the future sustainability of the organic sector. First, we are all awaiting with interest the report on rural skills, which was commissioned by the previous Minister for Natural Resources, from Professor Wynne Jones, formerly of Harper Adams University. Do you feel that the organic sector is sufficiently represented in our agricultural colleges and is given sufficient profile for young people who want to enter farming to actually give it due consideration, and that it is as free from, perhaps in some areas—

[255] **Alun Ffred Jones:** Very briefly, because we are straying from the subject of the inquiry this morning.

[256] **William Powell:** Yes, of course.

[257] **Mr Lampkin:** I will give a very brief answer. I think that, at the moment, there is very limited provision through colleges in terms of organic training and knowledge. That is a significant issue. Equally, five years ago, there was much better provision of information to farmers on organic farming than there is now in Wales, but also more widely in the UK. The rural development programme does provide an opportunity to address that, but the issue with Farming Connect is at the moment wide open as to how that will be taken forward.

[258] **William Powell:** That is a very useful answer. Thank you.

[259] **Antoinette Sandbach:** I wanted to go to decertification. As I understand it, about 8% of farmland in Wales is farmed on an organic basis. Do you have concerns about the decertification proposals in the regulations and, if so, what would you suggest they are? What would you suggest that we recommend?

[260] **Mr Lampkin:** You are talking about decertification if—

[261] **Antoinette Sandbach:** On residues.

[262] **Mr Lampkin:** On residues and things like that. First, in terms of statistics, we got, two years ago, to the 8% of organic land. Over the past two years, something like 40% of organic farmers have left the sector because of the uncertainty over future policy goals.

11:45

[263] I am very pleased to get these sorts of indications that the Glastir organic window has succeeded in stabilising that situation, and I hope that when we get the data in due course we will understand that much better. However, the loss of farms is a significant issue.

[264] In terms of the threshold issues, I feel very uncomfortable about it for two reasons. One is that the organic regulations have always been focused much more on the process of organic farming than on the end product itself and whether it may have picked up some adventitious contamination from a neighbouring farm or some other procedure. I think that it is really important that the regulation continues to focus on the process by which the farm is operated rather than some aspect of the end product. I think that there is a real risk that we will have some first-class organic farms that are doing a really good job environmentally and in sustainability terms that lose their organic status because of the somewhat arbitrary application of a threshold that actually has no bearing at all on how they are doing their job. I do not particularly see why those farms should carry the consequences of something that someone else has done, which is effectively what is going to happen with the current proposals.

[265] **Antoinette Sandbach:** So, that would be, for example, seed drift from a neighbour. It is accidental cross-contamination, which is not caused by the farming method of the organic farmer but the farming method of the neighbour.

[266] **Mr Lampkin:** Yes. Only 8% of the land is organic, so they are clearly going to have conventional neighbours. There is always going to be a risk. However, there is equally a risk in terms of product being transported in vehicles that might have been transporting conventional product the day before. So, there are all sorts of different ways in which that adventitious contamination could take place, and despite the fact that there might be a consumer expectation of perfection, it seems completely inappropriate to make the organic producer carry the consequences when they have been doing the job 100% correctly.

[267] **Alun Ffred Jones:** Okay.

[268] **Antoinette Sandbach:** On that issue, can I move on—

[269] **Alun Ffred Jones:** Yes.

[270] **Antoinette Sandbach:** In your response to, I think, recommendations that you made in your review that were not carried forward by the proposals of the current regulation, you suggested looking at rules on the responsible use of energy and water, biodiversity, conservation and habitat management. Given the greening that is happening in the single farm payment, if I can put it that way, and the rules associated with that, do you still think that there is a requirement for additional regulation in that area?

[271] **Mr Lampkin:** I think that there are areas where some strengthening of the standards would be valuable. I mentioned poultry earlier on. I think that that is an area that has been weak in the current regulations. Protected cropping is another area that is inadequately

addressed through the current regulations. The question of the environment more generally is also an area for debate. The reason I say that it is an area for debate is because it is clear that there are a lot of beneficial environmental impacts resulting from the application of organic practices, but the regulations focus on the inputs used rather than creating specific environmental requirements. The reason for that historically has been that it is much easier to audit on a farm what inputs somebody is using than all of the complex environmental outputs that they might be generating. So, I would hesitate to say that we should go down a route for regulation that means that much more monitoring of environmental outputs has to be undertaken, because I think that that would be administratively a very onerous route to take. However, there are some areas where we could be encouraging more environmental consciousness, if you want, and, not necessarily the idea of applying a complex environmental management system that is proposed to supply chain businesses rather than farmers, but certainly some form of engagement with environmental sustainability certification could be useful. There are quite a few models now applying environmental standard certification to supply chains, and I think that some of those, if applied constructively, could help to secure those environmental gains that are made at farm level through the supply chain to the consumer.

[272] **Alun Ffred Jones:** Okay. I think that we have come to the end of our time this morning. May I thank you for your contribution this morning? You will receive a copy of the transcript for you to check for accuracy. Diolch yn fawr iawn—thank you very much, Nic Lampkin and Tony Little.

11:50

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod ar gyfer Eitemau 6, 9 a 10
Motion under Standing Order 17.42 to Resolve to Exclude the Public from Items
6, 9 and 10**

[273] **Alun Ffred Jones:** I move that

the committee resolves to exclude the public from items 6, 9 and 10 of the meeting in accordance with Standing Order 17.42(vi).

[274] I see that the committee is in agreement. Diolch yn fawr.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11:50.
The public part of the meeting ended at 11:50.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 13:01.
The committee reconvened in public at 13:01.*

**Ymchwiliad i Effeithlonrwydd Ynni a Thlodi Tanwydd yng Nghymru:
Tystiolaeth gan Gwmnïau Ynni
Inquiry into Energy Efficiency and Fuel Poverty in Wales: Evidence from
Energy Companies**

[275] **Alun Ffred Jones:** [*Anhyglyw.*]—ger **Alun Ffred Jones:** [*Inaudible.*]—companies ein bron ni fel rhan o'r ymchwiliad i will be before us, as part of the inquiry into effeithlonrwydd ynni a thlodi tanwydd. energy efficiency and fuel poverty. We have

Rydym ni wedi clywed tystiolaeth gan heard evidence from stakeholders before randdeiliaid o'r blaen, ac mae papur briffio now, and there is a briefing paper before o'ch blaenau chi. Felly, galwn y tystion i Members. So, we will call the witnesses in. mewn.

[276] Who wishes to kick off on this one? William Powell, do you?

[277] **William Powell:** Yes, I would be happy to lead off, Chair.

[278] **Alun Ffred Jones:** A gaf i eich croesawu chi i'r sesiwn prynhawn hwn, lle byddwn yn cael cyfle i holi'r cwmnïau ynni ynglŷn â'u cynlluniau am effeithlonrwydd ynni? Croeso mawr i'r pedwar ohonoch chi. Nid oes rhaid i chi bwyso'r botymau ar y meicroffon. Os bydd rhybudd tân, fe gawn ni ein tywys allan. Mae croeso i bawb gyfrannu yn Gymraeg neu yn Saesneg, yn ôl rheolau'r Cynulliad. A gaf i ofyn i chi yn gyntaf i gyflwyno'ch hunain i ni gan ddweud beth yw eich enwau a phwy ydych chi'n cynrychioli er mwyn y *record* cyn i mi ofyn i William Powell ofyn y cwestiwn cyntaf?

Alun Ffred Jones: May I welcome you to this afternoon's session, where we will have an opportunity to ask the energy companies in relation to their schemes regarding energy efficiency? A warm welcome to the four of you. You do not need to touch the buttons on the microphones. If there should be a fire alarm, we will be ushered out. Everyone is welcome to contribute either in Welsh or in English, according to the rules of the Assembly. May I ask you, first of all, to introduce yourself to us by saying what your names are and who you represent for the record, before I ask William Powell to ask the first question?

[279] **Dr Wood:** Good afternoon. My name is Gareth Wood. I represent SSE, and my role in SSE is head of collections. In Wales, our brand is known as SWALEC and we are, obviously, a large supplier across the whole of Wales. I recognise and thank you for the invite this afternoon. Fuel poverty is something that SSE recognises, because we are at the forefront of service delivery. We also understand that affordability is a key challenge with regard to energy policy. It is something that we take a very proactive approach on to understand how we can achieve sustainable solutions, but also how we can address the upward trend in the cost of energy.

[280] For me, in Wales we have around about 1,500 staff operating across Wales, primarily based in Cardiff. The staff in Cardiff provide a credit management function and a credit management service to all SWALEC customers across Wales. They also provide a service to customers in Scotland and in England as well. I would extend a welcome to all of you, as a committee or individually, to visit us at our SWALEC offices in Cardiff, if you would like to see how we deal with customers and how we cope and manage on a day-to-day basis.

[281] **Mr Margerrison:** Good afternoon, everybody. My name is Stuart Margerrison and I am the director of fuel poverty at British Gas. I shall keep this brief. My responsibilities extend here in Wales to the management and responsibility for the Nest programme, which we are delivering on behalf of the Welsh Government. I also have another broad brief, as far as fuel poverty and addressing those issues more generally are concerned, part of which is to deliver elements of the energy company obligation as well. Likewise, thank you for the opportunity to come here this afternoon to present our case. Thank you.

[282] **Mr Mason:** I am John Mason from EDF Energy. Again, I replicate the thanks given for the invite to give evidence today. Obviously, EDF Energy takes its responsibilities to our customers very seriously and, obviously, fuel poverty and issues of vulnerability are key aspects of that. In addition, we do think that energy efficiency is the key measure to sustainably reduce energy bills. So, we are looking forward to the opportunity to discuss that with you and give evidence. Thank you.

[283] **Ms Doherty:** Hello, my name is Claire Doherty and I am the policy and industry liaison manager, with responsibility for ECO within the UK Government obligations team of ScottishPower Energy Retail Ltd. ScottishPower, similar to what the other energy companies have said, is obviously very concerned about fuel poverty and does a huge amount in terms of energy efficiency, particularly in Wales. I am looking forward to giving some evidence today to help you understand what we are doing and the concerns that we have around some of the programmes.

[284] **Alun Ffred Jones:** Diolch yn fawr. Thank you. I call William Powell.

[285] **William Powell:** Diolch, Gadeirydd.

[286] You are most welcome. It is a particularly important session for us, as it is almost five years now since there has been an evidence session of this kind from you before an Assembly committee. It is really a very important opportunity for us.

[287] One issue that I would like to ask you about to kick off is: how frequently do you currently meet, individually or as a group, with Welsh Government Ministers?

[288] **Mr Margerrison:** I am happy to lead. That is a very good question. We clearly take responsibility for the Nest programme very seriously. So, we are engaged, through ministerial debate, on priorities for that particular scheme and how we best discharge those aims and objectives. So, we are seeing senior officials on a quarterly basis, and at least annually we are seeing Ministers with portfolio responsibility for that activity to talk about what is happening in the scheme more generally. Likewise, we are actively working with Ministers across the Welsh Government to talk about ways in which we can address energy efficiency. So, examples of that are that we are holding events where we talk to them about issues like getting ready for winter, making sure that people understand the challenges more generally, and, likewise, we have extended invites to Members of the Assembly to come down to visit our offices here in Cardiff, where we are clearly active.

[289] **William Powell:** Thanks for that opportunity. We are most grateful for it.

[290] **Alun Ffred Jones:** Does anybody else want to come in?

[291] **Mr Mason:** One of the initiatives that the Minister has started is to hold regular energy roundtables, roughly on a biannual basis. I think that has been a great opportunity to share learning and concerns, and that is something that we have participated in. Obviously, we also have individual meetings where appropriate, mainly with officials, to discuss any progress, our own plans for the schemes, et cetera. They are on an ad hoc basis, as and when required.

[292] **Alun Ffred Jones:** Did you say it is 'biannually' that you are meeting the Minister? You meet the Minister biannually.

[293] **Mr Mason:** The energy roundtables are, yes. They have been to date.

[294] **William Powell:** That is interesting, because that kind of links to another question that I wanted to ask this afternoon. A number of stakeholders that we have seen earlier in the context of this inquiry have argued strongly for the re-establishment of the ministerial advisory group on fuel poverty. I wonder whether you have any views on that and whether you engage with a similar forum elsewhere within the UK. What priority do you feel the Welsh Government should give to a re-launched approach to that advisory group?

[295] **Ms Doherty:** I actually sit on the fuel poverty advisory group for England and the Scottish fuel poverty forum, so I have got a lot of experience of what these groups are able to do in terms of holding Government to account on its progress towards targets, and even looking at whether the targets are appropriate and giving advice in that way. I would absolutely advocate the usefulness of having a group like that in Wales. I think that it would absolutely be helpful to re-establish the advisory group on fuel poverty, which has private and public sector organisations involved, to try to make sure that, together, we can find the right solution.

[296] **Mr Mason:** I would second that. I sit on the fuel poverty advisory group for England, and it is a very good forum for trying to get more evidence, because you have a very good range of organisations around the table, from consumer groups, Government departments and private industry. You can get a good level of debate and, hopefully, that results in a lot of good evidence, which is hopefully helpful to the Ministers and others in providing them with a more thought through position and consideration of the issues than you can perhaps get from just meeting on an ad-hoc basis.

[297] **Alun Ffred Jones:** Jeff Cuthbert, do you want to come in on this?

[298] **Jeff Cuthbert:** Well, on an issue linked to this, the issue of co-ordination with the Government, which you began to discuss. I would like to probe a little more deeply in terms of the way in which the Welsh Government's schemes and your schemes work together, particularly Arbed and Nest. I understand that you have some concerns about the ability of some local authorities to delivery energy company schemes. Perhaps you could expand on what those concerns are.

[299] **Alun Ffred Jones:** Who is going to take this question?

[300] **Mr Margerrison:** I am happy to talk directly about Nest first and then I will talk about Arbed and others may join in. As far as Nest is concerned, I think that it should be commended. The scheme is a fantastic example of how we can bring together the objectives of the Welsh Government and then best leverage the opportunity that comes through schemes such as ECO. We have seen better use of what is a limited amount of money that can be invested in this particular area. It would be great to invest more, but we have seen being brought alongside the money that the Welsh Government is putting out there, for its objectives directly, a really clear opportunity to bring ECO into that scheme and help more home owners and really leave a legacy of having homes that have been improved directly through that scheme. So, I guess we would like to see more of Nest ongoing. We understand that there is an opportunity to contribute on that issue through the energy efficiency policy review.

[301] Likewise, we have worked with local authorities to deliver elements of the Arbed scheme, where match funding has been a great opportunity to bring together the incentives that have been provided through Arbed with ECO to spend that money in the most effective way. So, there is definitely more that can be done there. There is clearly a point about working with local authorities and making sure that we have scheme management absolutely clear and that the message that goes to people—

[302] **Jeff Cuthbert:** On whose side?

[303] **Mr Margerrison:** I think that we need to be clear in our relationship with local authorities about how those schemes work most effectively, what the proposition is and how we can help customers directly through those schemes. However, that is a feature of working with local authorities: making sure that communication about those schemes and how they help people is absolutely clear.

[304] **Julie Morgan:** I would like to pick up on the previous point. I think that it was John that mentioned the biennial meetings. Are those with the Minister?

[305] **Mr Mason:** Yes.

[306] **Julie Morgan:** I was surprised that the meeting was biennial. Is that how it is laid out: every two years?

[307] **Mr Mason:** No, I do not think that it is, formally. The last two dates have been roughly of that distance apart. I do not know what the future plans are.

[308] **Julie Morgan:** It is just by chance that it happened to be like that.

[309] **Mr Mason:** Yes, sorry.

[310] **Julie Morgan:** I thought that it was laid out that, every two years, you would meet with the Minister, and that seemed—

[311] **Mr Mason:** I am sorry; I meant that it has been once every six months.

[312] **Julie Morgan:** I see; once every six months. That makes it much clearer. However, just to be clear, who actually meets with the Minister? Is it the companies?

[313] **Mr Mason:** The energy round tables have included the major suppliers to date. It is just a chance to discuss. In the ones we have had to date, we have had the opportunity to provide agenda items and, obviously, the Welsh Government has put in its own agenda items, and it has just been an opportunity to share learning and have a discussion, which has obviously been quite important. There have been a number of changes to, for example, the energy companies' obligations, et cetera. So, it gives us an opportunity to discuss the impact that they will have in Wales.

[314] **Julie Morgan:** Thank you; I just wanted to clear that up.

[315] **William Powell:** Just to conclude my initial line of questioning, Claire, you mentioned that, in the context of the ministerial advisory groups that you already take part in, one of the key issues is to revisit the appropriateness of the targets and strategy. One of the things that we have heard fairly consistently from some of our other stakeholders was a fair degree of scepticism as to the achievability and appropriateness of the Welsh Government's overall fuel poverty strategy as it stands. Do you share those concerns, and would you like that to be revisited?

13:15

[316] **Ms Doherty:** The target, which is the eradication of fuel poverty as reasonably practicable by 2018, is obviously a very challenging one. The first two interim targets have not been met in Wales, so it probably is a good time to look at whether the target that is in place is realistic and achievable.

[317] **Alun Ffred Jones:** Do you think that it is achievable?

[318] **Ms Doherty:** I think it is very difficult to achieve that. Also, the Westminster Government has had the eradication target itself; it has now re-looked at it and it is now putting a target in place that is based on improving the energy efficiency of homes. In terms of being able to deliver on the target, it probably makes it a bit more understandable in terms

of what you can do to get to your target, so that it means something and allows programmes to be designed around it in order to get there.

[319] In Wales, you have an even bigger challenge because you have a high proportion of off-gas areas. You also have low income levels in relation to other places in Europe, and poor housing stock. It probably is slightly more challenging in Wales than it may be in other parts of the country.

[320] **William Powell:** Is that view shared by colleagues?

[321] **Mr Margerrison:** I think that that is a really helpful summary.

[322] **William Powell:** The re-establishment of the ministerial advisory group, I presume, could play an important part in refreshing this overall approach and having a more appropriate set of targets to go forward.

[323] **Mr Mason:** I think that independent advice, bringing together the key players, such as consumer champions, is always going to be helpful in considering these issues. In any of these areas, you need to have regular reviews and you need to regularly reconsider the strategy to see if it is appropriate. That is not about saying whether the strategy was right or wrong; it is just something that needs to happen because the situation is constantly changing and developing, especially as you learn more from experience. There have been a number of good schemes and we have a better understanding of delivery in Wales now, so it is about trying to ensure that the learning is maximised.

[324] **Russell George:** Could you briefly outline the level of customers that are in fuel debt in Wales, perhaps as a percentage? You are all quiet.

[325] **Dr Wood:** It depends on the definition of fuel 'debt' and 'poverty'. When we compare Wales to England or Scotland, we recognise that there is a greater degree of indebtedness in Wales. Significantly more customers in Wales have prepayment meters, for example. We have more customers in Wales who are registered with priority service indicators, so they require a greater level of support from us. We recognise that the number of customers who are currently making an arrangement to pay and repay a debt is higher in Wales as well. So, there are some particular challenges in Wales that are not necessarily reflective of the UK.

[326] **Russell George:** What are your procedures for contacting customers who are in arrears?

[327] **Dr Wood:** A lot of work has gone into this across all stakeholders and the industry over many years, but it is very apparent, from a customer perspective, particularly with increasing bills, that the sooner you are able to engage with the customer to resolve the issue, the quicker and more appropriate the outcome is. With the price of energy as it is today, if a customer misses paying one bill, by the time the second bill comes around it becomes almost unaffordable to that customer. So, it is about early engagement, which could be via the bill letter, telephone call, text message or a visit to the property if required. The sooner that we can do that in an engaging way, and not in a threatening way, and the sooner we can engage with the customer, open a dialogue, understand personal circumstances, provide energy efficiency advice, provide best product information and provide payment method advice, the more positive the outcome. So, for us, and I am sure that colleagues would agree, early contact and early resolution are key to keeping customers out of fuel debt.

[328] **Russell George:** May I ask you and your colleagues as well how satisfied you are that your customer service staff are appropriately trained to give good and accurate advice?

[329] **Dr Wood:** I think that we all have our individual opinions on that. From an SSE perspective, we recognise that we have 20 times fewer complaints than the worst in the industry. We put a great deal of effort into training our staff and, over the last two or three years, we have trained over 450 members of staff, by engaging with Welsh Government and educational funding, to a very high level of standard with regard to energy efficiency advice. Training, customer service and reputation are key, I am sure, to all energy suppliers.

[330] **Russell George:** So, before your colleagues answer, are you completely satisfied that your staff are well trained appropriately with regard to giving advice?

[331] **Dr Wood:** I think that there is always room for improvement. What we find with advice to customers is that it has to be individual. So, we can provide training and support, we have lessons learned and we share the learning, but when a customer contacts us by telephone or letter, it is an individual customer with an individual problem, so there is no room for complacency in levels of training and the need to continue with improving levels of training.

[332] **Russell George:** I am just interested to hear from your colleagues on the same point.

[333] **Mr Margerrison:** I am happy to respond. I would echo Gareth's point that early intervention is absolutely key. There are a couple of the practical things that we are trying to encourage people to think about through the information that we are providing to them on a six-monthly and annual basis, on whether they, as a customer of British Gas, first and foremost, are on the right and most cost-effective tariff for them. So, we are writing to customers now, letting them know that if there is a better tariff for them based on the consumption profile that we are seeing, we would like to see customers taking advantage of that. I will give you an indication. About 25% of the customers who we are contacting have taken up that opportunity to move. I think that that is one good practical point and that helps on the journey to make sure that customers are spending or minimising their spending on energy.

[334] The second point is when we get into a scenario where customers are using prepayment meters. We want to make sure that those customers are given extra support, so, through projects such as taking data from vending patterns, where customers are charging their prepayment meters through outlets, we are actively looking now, within a 28-day period, for customers who are not showing signs of buying energy, or buying energy through their tokens, which could be a proxy for them not actually using energy at home. So, the more that we can do to talk to those customers about why they are not taking the opportunity to vend and to speak to them about some of the issues that face them and make sure that it is clear that the support that can be given in—

[335] **Russell George:** I am interested in that point. If I understand correctly, you are saying that prepayment meters are a positive way to help customers to manage their debts, but you also recognise, at the same time, that that is a potential problem, as well.

[336] **Mr Margerrison:** There are a couple of interesting points. I recognise that prepayment meters raise the concerns of people. However, something to bear in mind is that 18% of our customer base uses a prepayment meter, so that is one indicator. Also, only 8% of that 18%, or 8% of our total customers, are actually using that as a means by which they control their debts. So, there is clearly a group of customers who are using prepayment meters as a form of budgeting, which is a way in which we can encourage customers to manage their own personal finances. Clearly, for those customers who use prepayment meters as a result of managing debt more generally, our focus is on making sure that we are managing those cases as sensitively as possible.

[337] **Russell George:** So, when you are advising customers about a prepayment meter at the very beginning, do you have a series of questions to ask them to understand whether that is the most appropriate meter for them?

[338] **Mr Margerrison:** Absolutely. It is about the customer's choice at that point in time as to what best suits them. People have used prepayment meters for many years as a form of budgeting. Clearly, when it gets to a situation where we are talking to customers about managing debt, that is one of the practical steps that we can use to—

[339] **Russell George:** So, you are satisfied that when you are offering prepayment meters, you are doing it in an appropriate way.

[340] **Mr Margerrison:** We do, and we advise customers about the way in which the prepayment infrastructure works as well.

[341] **Alun Ffred Jones:** Just one thing: however you define fuel poverty, figures in Wales are worse than the rest of the UK, apart from those of Northern Ireland, and yet the figures in terms of the Green Deal and ECO for Wales seem to be worse than practically any other part of the UK. How can those two facts co-exist? You would have thought, surely, that there would be more—a higher percentage—in Wales being able to take advantage of these measures, rather than a lower figure. So, what accounts for that?

[342] **Mr Margerrison:** There are two points in there that are probably worth trying to respond to directly. Green Deal, as a programme, we know has had its difficulties. We have made representations about the complexities of the Green Deal and how it has not had the desired effect, insofar as encouraging home owners to invest in their own homes through the energy savings that can be made through upgrades in terms of insulation or new heating equipment, or other things that would help them. I think there is a more general issue in the way that the Green Deal has been presented, and, as far as the Green Deal finance plan is concerned, we have made representations in terms of trying to improve the way that that scheme works and to make it less complex, but also to try to address some of the issues around the borrowing rates that go with that.

[343] If I could just make a point about ECO, from our point of view, given that Wales represents around 5% of the stock that we are trying to address through ECO. To give you an indicator, which was in our evidence, we are at just around the 10% in terms of our HHCRO obligation—so free boilers for customers in the qualifying groups—and so around 10% of our total discharge of that activity has been here in Wales. Where we can identify that those customers do qualify and should have that type of upgrade, we are actively promoting those schemes here, and customers are receiving the benefits.

[344] **Mr Mason:** I agree with that. I think that it has been a success in Wales in terms of our ECO obligation. In terms of our customer numbers, we have delivered a fair share of our obligation in Wales, but we have delivered almost twice that in terms of the aspect focused on the most vulnerable; it is double the level you would expect, based on customer numbers. I do think there is a lot more that can be done, but I think that this scheme, as it works, is bringing a lot of assistance. That is something that, again, the learning we discussed and looking at the strategy, I think, need to be looked at.

[345] I would just like to make one point on your earlier question. In terms of the way you put it, 'Are you satisfied?', I do not think that you ever would be in terms of your customer service. In my briefing, I have noted a few awards and things that we have won, which I will not bore you with, but it is something that we will want to keep working on. We want to keep on training our staff. At any one point, we can put them through training, but we obviously have a churn of staff and we have new learning. What we will keep on trying to do is to see

what is working, and then, hopefully, constantly improve upon that.

[346] I think that the biggest challenge is encouraging customers to contact us early. We do have a responsibility to ensure their ability to pay, to ensure that we have the right level of repayment, and that they have, for example, the right type of meter, the right payment plan, the right tariff, and that they are looking at additional help, such as energy efficiency. However, I think that it is a very important way of putting it, because I do not think that we can ever be satisfied on that. I think that it is something that we can only keep on learning from and trying to improve.

[347] **Antoinette Sandbach:** I am slightly worried about that suggestion that you want your customers to contact you early. I know of a position in north Wales with a very vulnerable customer, where the social services are unable to alert ScottishPower to the vulnerability of that customer because they do not have the account number. Clearly, they cannot open the post. It seems to me ridiculous that you do not allow social services to report to you the vulnerability of a customer who cannot get out of bed, who does not have a telephone, and who certainly cannot access the post office to be able to use a prepayment meter, because they live in a rural area and cannot drive. What are your reporting mechanisms for social services, or mental health services, if someone is in hospital for a period of time, so that they can alert you to the vulnerability of that customer without having the reference number for the account?

[348] **Ms Doherty:** First of all, I will take that, because, obviously, it is directed at ScottishPower. Apologies if that has been the case. I am obviously not aware of that particular case. Please pass on the details to me and we will look at that. As far as our procedures for vulnerability are concerned, all of our agents have been trained to look for signs of vulnerability. One of the things they do when someone calls is to ask, but they also look out for signs. That is recorded on our system. It is something that we are able to take a record of and hold on our system, and then actually offer specific services and advice to those customers.

[349] **Antoinette Sandbach:** Can that be someone who is not the customer themselves?

[350] **Ms Doherty:** I am not sure, to be honest, but I can take that back.

[351] **Antoinette Sandbach:** Do any of the others know?

[352] **Mr Mason:** We do allow the type of people you are talking about to act as trusted advisers. A lot of the time, it is a family member or a neighbour; they can become a trusted adviser on their account and can therefore deal with us on their behalf. It is something that we do encourage. However, I cannot speak on individual circumstances. I am not saying that that will cover everything, but it is something for which we have tried to put in initiatives.

[353] **Antoinette Sandbach:** However, to have a trusted adviser, you have to have the permission of the account holder. If the account holder does not have the mental capacity, for example, or does not have a telephone to be able to contact your company, do you have a method for the statutory service provider to get in touch with you and say, 'This customer is a vulnerable customer—you need to activate your procedures now'?

13:30

[354] **Dr Wood:** That is a very challenging scenario that you paint there, so I think I am going to take that away and come back with a proper answer. I think that what we are probably all trying to articulate is that there is a commonsense approach to these situations, which, in most cases, I am sure, is appropriate. That might even be a personal visit from a

representative of the company to resolve that, for example. However, I think that the case that you present there presents challenges around data protection, as it would with any service that that customer might receive. I would sit here and I would be confident to say that we would address that, and we would go to whatever lengths necessary to ensure that that customer was serviced.

[355] **Antoinette Sandbach:** But that is the issue. Companies often quote data protection, but data protection does not stop you from recording data in relation to that account number. What it stops you from doing is revealing any data about your customer to the person contacting you. So, data protection is not a barrier in those circumstances. You could have a reporting mechanism, and it seems to me—

[356] **Alun Ffred Jones:** Ahem!

[357] **Antoinette Sandbach:** Okay. Can I just ask one further question in relation to the Welsh housing stock, which was something that Claire Doherty mentioned? Clearly, there has not been a review of Welsh housing stock, and there is a concern that energy companies are doing what I call ‘picking the low-hanging fruit’, in that you are targeting your measures at the easy and cheap options, rather than tackling the more difficult households—and we know that most Welsh housing stock is pre-1940, I think it is. First, what are you doing to target the more difficult households, and, secondly, would you support a review of the Welsh housing stock so that you can identify where those harder-to-treat households are?

[358] **Ms Doherty:** I would absolutely support a review of the housing stock. I think that that is really important so that we can understand where the issues are and particularly where the focus needs to lie. In terms of what we have done so far, we have delivered internal solid wall insulation, which is obviously the key measure for some of the harder-to-treat properties. ScottishPower has delivered a significantly higher percentage than our market share of the solid wall delivery, under ECO. So, we went further than the Government’s minimum for solid wall, and, as I said, a significant proportion of what we have delivered so far through ECO has been solid wall. I know that there is always more that can be done.

[359] To go back slightly, but I think it is relevant, HHCRO, or the home heating cost reduction obligation, is the part of ECO that is focused on the fuel poor. Sixteen per cent of everything that we have delivered on that obligation has been in Wales—. Sorry, we have funded 16% of all of that obligation that has occurred in Wales, and 10% of our home heating cost reduction obligation has been in Wales. We have also done a significant proportion of the rural properties, as well, a lot of which are solid wall.

[360] So, I absolutely take your point, and I think that we would really support an examination of what the property and the housing stock looks like in Wales, but I think that we have done quite a lot.

[361] **Alun Ffred Jones:** Is there any other comment on Antoinette Sandbach’s question?

[362] **Mr Mason:** We would agree. I think that probably the best people to do that would be local authorities. The more they understand their stock and the individual circumstances in the area, the easier it is to partner with them. It is that type of information that becomes one of the biggest stumbling blocks when you are trying to look at projects. So, I absolutely support it, and I do think that local authorities need to be the lead in that.

[363] **Mr Margerrison:** I would echo the points that have been made. I think that the way that ECO has been structured moving forward means that there has to be a much greater focus on rural communities. There is a commitment to do 100,000 solid walls as part of the revisions that have just been agreed within ECO2, and Wales has got to maximise the

opportunity from that, I think. That is what we need to work hard to do, through the sort of initiative that you are suggesting.

[364] **Antoinette Sandbach:** Is that 100,000 solid walls in Wales?

[365] **Mr Margerrison:** It is not, no. That is a point well worth clarifying.

[366] **Alun Ffred Jones:** How is that being carried out, then? What is the mechanism for doing that?

[367] **Mr Margerrison:** For identifying, or—?

[368] **Alun Ffred Jones:** Identifying and then carrying the work out.

[369] **Mr Margerrison:** So, as far as identification is concerned, I guess that there are a number of different ways in which that happens. For us, we have energy experts who are trained to go out and try to identify, once we have the inquiry from the customer, what type of property they live in, and recommend the most appropriate measure. So, a practical example I will try to cite to bring this to life. Last night, I was with some of our energy experts who are talking about how they work here in Wales. They were explaining the challenges that you face, particularly in rural communities but also in some of the communities that sit on the coast, where traditional forms of insulation may not work and where you have to start thinking about condensation and the fabric of the building and how special treatments have to apply in those cases. So, I think that it is absolutely critical to the reputation of the industry and to make sure that customers are not disadvantaged that we have people going to survey those properties and recommending the right treatments. That is the key, because those mechanisms are there to be used by home owners and we need to make sure that they are getting the best advice about what the most appropriate measure is.

[370] **Julie Morgan:** Going back to the individual customers who have big problems, obviously, as Assembly Members, we have people coming to us in that situation. Sometimes, it takes quite a lot of time and effort to resolve. However, it does seem that progress is made when you have a visit made at home to the customer. I wonder how often that actually happens. How often and when do you actually send somebody out to see a customer?

[371] **Dr Wood:** It can be resolved in a number of different ways—

[372] **Julie Morgan:** I know that you said that you send texts and letters and all of this earlier on, but I think that it is the individual visit that solves some of these very difficult problems.

[373] **Dr Wood:** Absolutely. Letters, texts and telephone calls deal with the volume, but when we get into individual customer circumstances it needs to be more personal, and then a home visit is more appropriate. Across the UK, as part of the credit management procedure, which is to understand why the customer is disengaged or has not contacted us to help resolve the issue, at the moment, we do around about 2,500 visits per week. So, every week, we knock on the doors of about 2,500—

[374] **Julie Morgan:** That is over the UK—

[375] **Dr Wood:** Over the UK, that is right. Those visits are to resolve the issue, obviously. However, the learning that we get from being at the premises and understanding the customer's individual circumstances is a big part of then coming up with a sustainable solution that works for the customer and for us. So, home visits are a significant part of resolving issues when it gets to a personal level.

[376] **Julie Morgan:** How many of those would be in Wales?

[377] **Dr Wood:** I cannot confirm that now, but I am happy to respond to you afterwards to confirm what that would look like in Wales.

[378] **Julie Morgan:** Thank you.

[379] **Jeff Cuthbert:** Can I just go back to the issue on the Green Deal, if I may? I hope that I did not fail to hear you, Stuart, when you were talking, and I think it is in your written submission, about the three suggestions you made to the UK Government department about how to improve matters. I cannot recall whether you said you had had a response to that and, if so, whether it was positive or negative.

[380] **Mr Margerrison:** We have not had a response as such. Clearly, we have made our views clear on that one. British Gas is one of the Green Deal pioneers, one of the founders of this particular programme, so it is in our interests to see that scheme taken forward and adopted by customers more generally as part of a broader strategy to get customers to invest in this area. So, we want to see that mechanism work. So, I can point to the incentives that have come through Green Deal and the way in which customers have adopted incentives, and I think that it has been a success. The evidence, as far as vouchers go, which are there to help customers upgrade the energy efficiency of their homes, is that those have worked particularly well, as have things like the Green Deal home improvement fund. So, there is a level of awareness out there, and where incentives are appropriately applied, customers do start to get engaged. However, there is generally a very low level of Green Deal finance plans being written at this point in time, and that, fundamentally, is where we think a review needs to take place.

[381] **Jeff Cuthbert:** Okay. Would it be possible for you to let us have details of your submission to the Department of Energy and Climate Change, so that we can see exactly what it is you are recommending? Is that possible?

[382] **Mr Margerrison:** I will take that question away and we will do our best to provide you with that, yes.

[383] **Jeff Cuthbert:** Can I ask a different question, which is on smart metering? I have got a smart meter and I find it useful, I have to say. However, that is just me. Do you have hard evidence of the value to all who operate smart meters, in terms of savings for them as customers, so that you can say that, if you have a smart meter, you are likely to save, as long as you read it properly and take action? What is the evidence now for that?

[384] **Ms Doherty:** DECC's latest impact assessment—

[385] **Jeff Cuthbert:** I beg your pardon?

[386] **Ms Doherty:** I am sorry. The Department for Energy and Climate Change's latest impact assessment looking at smart metering has produced figures estimating that consumption would fall by 3% for electricity and 2% for gas. So, those are the latest figures that we are aware of.

[387] **Mr Margerrison:** We have a similar piece of research that we commissioned through Oxford Economics, which broadly says that, once you are engaged with the customer through the smart meter having been installed, and, most importantly, as part of that particular installation—. If I use my own experience to try to bring this to light, I started my career with the company as an engineer, and we used to take 15 minutes to exchange a gas meter. That

was the exercise that was carried out; it was about exchanging the meter as quickly as possible, with the least amount of disruption possible. Typically now, if we send one of our smart metering engineers out, it still takes about the same amount of time to exchange the meter, but we are spending 30 to 45 minutes with the customer advising them about the features of that particular meter, because a smart meter is only smart if a customer understands how to use it. So, we are seeing the early evidence—we have about 1.5 million meters out there, around 80,000 here in Wales, which have been installed through our business—that when customers get engaged and understand what the features are and how they can take that information and use it to do simple things like turning appliances off overnight that have been left on standby traditionally, some of those simple interventions and behaviours start to contribute to the types of savings that have been spoken about.

[388] **Alun Ffred Jones:** One of the complaints that we had from the housing associations was that, due to the changes to ECO, many companies pulled out from previously agreed schemes, leaving houses that had been prepared for improvements in a state of limbo, and there was a great deal of anger at your unilateral actions as companies. How do you respond to that?

[389] **Mr Mason:** At the time of the ECO changes, we stood by our legal commitments and all our contracts with our partners. If anyone—. That is something that, obviously, we have—

[390] **Alun Ffred Jones:** If you had previously agreed to schemes, surely to abandon customers who were preparing for those changes was not a sensible thing to do, was it?

[391] **Mr Mason:** Yes, I would agree.

[392] **Ms Doherty:** I would just echo from ScottishPower's point of view that we held to all the contracts that we already had in place at the time that the changes took place.

[393] **Alun Ffred Jones:** So, you are denying that you were guilty of pulling out of—

[394] **Ms Doherty:** Just speaking from my company's perspective, yes.

[395] **Alun Ffred Jones:** What about the rest of you?

[396] **Dr Wood:** It is not my area, I am afraid, to comment on, so I will happily take that question away and come back with a fuller response from colleagues in the ECO area.

[397] **Alun Ffred Jones:** Did British Gas pull out of—

[398] **Mr Margerrison:** That was an incredibly difficult period, and we recognised, as a company, the impact as a consequence of the changes that were brought about to ECO. As Claire has pointed out, contracts that were formally contracted were executed, but with regard to some of the contracts that were in the pipeline for delivery and had not got to formal execution, there were some very difficult conversations that took place, and we recognise the impact of that change. That said, I think that there is a broader question, which is that as a consequence of the changes that came about in ECO, we have been able to make reductions in customers' bills immediately—

[399] **Alun Ffred Jones:** So, how much this year and how much next year would the reductions be?

[400] **Mr Margerrison:** As a direct result of the changes to ECO that were brought about, British Gas implemented a £42 saving with immediate effect in January of this year. That was for every customer, on average. So, the point there is that everybody benefited from that,

while recognising that schemes that were planned for future delivery were reviewed and, in a number of cases, those schemes did not go ahead.

[401] **Alun Ffred Jones:** Next year, will there be any reductions?

[402] **Mr Margerrison:** Again, it comes back to how the obligation now sits and it comes back to a question of how do you—. A lot of those schemes were targeted on trying to deal with some of the most difficult homes to insulate. That requirement to insulate 100,000 homes has been left in the ECO obligation, to help to address that and to give certainty to the insulation industry that it can gear up and deliver those installations.

13:45

[403] **Alun Ffred Jones:** Are there any other comments?

[404] **Ms Doherty:** From our perspective at the time, we had delivered a significant amount of our ECO obligation at the point the changes took place. We were already very far ahead. We were able to use the information and the evidence that we had at that point in time to make a very accurate determination of what the implications and the financial impact of those changes would be, and we reduced our bills to the full extent of those savings.

[405] **Alun Ffred Jones:** Is anybody following up on this one?

[406] **Antoinette Sandbach:** I wanted to ask, in terms of ECO, what the difficulties are about delivering those obligations, particularly in rural areas—I know that one of the mentioned rural areas before—and why the CSCO rural sub-obligation has been so slow to be delivered.

[407] **Ms Doherty:** In terms of the CSCO rural obligation, I think that, originally, the criteria for the people who would be eligible for that obligation made it difficult to identify those particular people. They had to be in a rural community, obviously, but they also had to be in receipt of one of a number of income-related benefits. When you are going into rural communities, obviously, the cost of getting there, as everyone would understand, can be higher, and it is difficult sometimes to get contractors to go into those areas, because it is more expensive to get there and those issues. We spoke to DECC long and hard about this and said, ‘We want to get the work done in rural areas, but it is proving difficult; is there anything we can do to make the obligation more straightforward and actually encourage delivery to take place there?’ So, one of the changes at the autumn statement last year was to remove the affordable warmth requirement. What that means is that we have now been able to go into rural areas and do as many houses as we possibly can within those areas and not have the requirement that we can only do individual houses. That has really helped, and I think that the progress that you will have seen is maybe not always coming through in the statistics that you see. We are not quite there yet in terms of getting those changes into law, so the reporting is not as clear as it should be, but I think that what you will find is that the CSCO rural obligation will now have delivered a significant amount compared to what was probably the case earlier in the year.

[408] **Mr Mason:** I have to say that I would support that. It has been challenging to get schemes up and running and getting things moving. We are fully confident—I mean, we have always met our obligated targets, and we are fully confident that we will meet all aspects of the ECO one, including the rural target. I think that it is welcome that it has been brought in. I think that it is welcome that they have looked at how it was brought in, in trying to ensure that it is effective and targeted correctly. So, I think that, in future Ofgem releases, you will see progress within that. It is something that we are very confident of meeting.

[409] **Antoinette Sandbach:** You mentioned the difficulty of identifying households. How much data exchange is there between you and Government? I sat on the rural fuel poverty cross-party group, and I know that there were discussions to see whether it would be possible for Government departments to disclose a database, for example, of those people who were in receipt of income-related benefits. Are you at that point?

[410] **Ms Doherty:** We are actually in discussions right now with DWP. They have come about later than we would have liked, but it looks like, hopefully, there will be a way to have an agreement where we can identify someone and then, after we have found them, DWP can at least verify that the person is within the right group and that they are eligible, before the installation takes place. So, we are hopeful that, moving forward, we will have a bit more data sharing. Ideally, it would be good to have it in order to identify the household in the first place, but I think that that is the next step. However, there has been good progress in getting to the point where, hopefully, in the next few months, we will have something there that we can use.

[411] **Jenny Rathbone:** The perception from my constituents is that this is an utterly confusing picture, and that it is very much those who shout loudest who get heard and get addressed. That does not mean to say that there has not been some individual good work, whether it is social services or some other advocate on behalf of those most in need. Nevertheless, the picture is very chaotic, and the constantly moving incentives from the Government mean that, just as people are beginning to think, 'Oh, I will stick a solar panel on my roof', it is gone. I think that it has been totally chaotic until now, so I really want to focus on how we will co-ordinate the data that you guys have with the data that local authorities have, and the data that the DWP has to really address those in the most need. At the moment, what is happening in my constituency is that we are doing some Arbed and ECO schemes, which we are doing on an estate basis, but we give the same free deal to people who are house owners as we do to tenants, even though they obviously are going to benefit from the increased value in their house. Then, on the next-door estate, we give nothing, and people have to wait—if they are lucky—until next year, after this winter, to get anything. So, it is an utterly chaotic position. How are we going to get Arbed, Nest and ECO working better to really strategically identify this 29% of households living in fuel poverty, and stick the money into them? So, with regard to the improved communication that you have with Government and the commitment from local authorities to articulate where those in most need are, how will that deliver on the ground?

[412] **Alun Ffred Jones:** Who will answer that one?

[413] **Mr Margerrison:** I will have a go at that one. There was quite a lot in there. I think that the point has been made already about how we can best source data about the individual and the property, and there is a combination there that is important to understand. Claire has spoken about some of the ways in which we can access data that are going to help us to identify customers and take them through the process. I recognise that one of the early parts of this is the complexity in getting those who recognise that they might need help to the point at which they qualify, measures are installed, and all of the things that go with that. So, there is the question of how we can make that much simpler. We should almost think about the burden of proof moving from the householder, and we can collect that information some other way. We are keen to try to find ways that make that much simpler for householders to understand.

[414] As for how we address large-scale energy efficiency improvements, I come back to the fact that Nest does a very good job as far as being able to give a consistent level of advice to a particular group of people who qualify. That ranges right from the most simple advice—hints and tips about how they use their energy—right through to those customers for whom we are installing, for example, biomass boilers in homes in off-gas-grid areas. So, where there

is a co-ordinated programme of activity, where the Government is supporting it and we have service providers and the ability to leverage in funding, those schemes work well. Doing more by bringing together information from different parties, as you described, can only help. So, we would always ask for better levels of support in terms of information to help us to target things more effectively, because the responsibility for targeting customers sits with us as part of delivering ECO. On collaboration, the point for us is how we better collaborate, what we get, and how can we collaborate better in a way that we are not doing now? So, it comes back to the points about which groups and which equivalents to the fuel poverty advisory groups need to help us to design and find those schemes here in Wales.

[415] **Ms Doherty:** Just to add to that point, one example where it has worked really well before is the warm home discount core group.

[416] **Jenny Rathbone:** I am sorry; which group?

[417] **Ms Doherty:** The warm home discount group. The core group is made up of those on pension credits. The energy companies are told which of our customers fall into that group and we can automatically provide the payment to them on an annual basis if they fall within the right criteria. That is a really good model for moving forward. If we are able to share information in that way and be told, as energy companies, who is most in need, then we can provide that.

[418] The other thing is to join up the housing data with the income-related information. The Government holds information on housing stock across the whole of the United Kingdom. It is called NEED—the national energy efficiency data framework. So, there is a lot of information out there. The issue comes down to data protection and whether we are able to use that information in a helpful way. So, it does exist, but there are obviously a few barriers that we need to try to get through in order to join everything up. However, if you could do that, then obviously it would make things a lot more straightforward and it would make sense if we could just focus on the people we know are in need.

[419] **Alun Ffred Jones:** Time is running out. Are the numbers of customers that are on prepayment meters in Wales increasing? Do you have any data on that? Are the numbers increasing?

[420] **Dr Wood:** We have not seen a significant increase in the number of customers on prepayment meters. We can provide information on the percentage of the customer base, if you would like to receive that, after the meeting.

[421] **Alun Ffred Jones:** Okay. We had a comment from one of the housing associations suggesting that customers on prepayment meters can end up in a poverty trap due to charges imposed to change meters, and the restrictions placed on switching to direct debit or dual fuel tariffs. Do you recognise that as a problem?

[422] **Mr Mason:** No, we change a meter free on request.

[423] **Alun Ffred Jones:** To clarify something in my mind, are customers on prepayment meters at a disadvantage in terms of prices?

[424] **Dr Wood:** With SSE, prepayment meter customers pay the same as a standard quarterly customer. They do not have access to discounts for direct debit, for example, but they do not pay any more than the standard quarterly customer.

[425] **Ms Doherty:** Our prepayment prices are no higher than our quarterly credit prices.

[426] **Mr Mason:** I think that that is true across the industry. The other thing that we have also brought out recently is our PPM fixed tariff, so that our prepayment customer can benefit from that. I think it is an area that we can always look to do more in. One of the things that we are trying to get is a new code of conduct via the trade association, to focus more on PPM. The discount that is provided for direct debit customers is probably what is being alluded to. Across the industry, we standardise our normal payment methods.

[427] **Alun Ffred Jones:** Jenny Rathbone—last question.

[428] **Jenny Rathbone:** The United States now has a strategic objective to drive down oil and gas prices in order to limit the powers of Russia to use its energy as a way of negotiating on other matters. How can customers see that reflected in their bills, given that you are beneficiaries of that United States strategic objective, in that it is cheaper for you to acquire the oil and gas that you then give to the customer?

[429] **Alun Ffred Jones:** Well, do you agree with the premise to begin with?

[430] **Dr Wood:** I am not aware that gas comes from the United States to Europe currently. Maybe my colleagues can comment on that, but we do not get gas into Europe from the United States, so we do not benefit from the shale gas bonanza. Wholesale is based on a global market, which is extremely complex and is influenced by a number of factors. So, I am not sure that I can answer that question.

[431] **Jenny Rathbone:** Okay, but oil prices are definitely going down.

[432] **Dr Wood:** Yes, we do recognise that the trend and the trajectory, unfortunately, is upward on energy prices. When we set our tariffs, we try to take the uncertainty out of the market and we try to provide stability for customers as well. However, I am sure that we would all agree that it is a competitive market and that those prices are reflected in tariff prices.

[433] **Alun Ffred Jones:** Are there any other questions for our guests? No? Well, thank you very much for coming in and for providing us with the information. We will use it as part of our inquiry. If you have anything else to add, please contact us in the next few weeks. You will receive a copy of the transcript to check for factual accuracy. Diolch yn fawr iawn. Thank you very much.

13:59

**Cynnig o dan Reol Sefydlog 17.42 i benderfynu Gwahardd y Cyhoedd o Weddill
y Cyfarfod**
**Motion under Standing Order 17.42 to resolve to Exclude the Public from the
Remainder of the Meeting**

[434] **Alun Ffred Jones:** I suggest that we go into private session. I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[435] Thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

Daeth rhan gyhoeddus y cyfarfod i ben am 13:59.
The public part of the meeting ended at 13:59.