



**WWF-UK**

*Registered office*  
Panda House, Weyside Park  
Godalming, Surrey, GU7 1XR

Tel: +44 (0)1483 426444  
Fax: +44 (0)1483 426409  
info@wwf.org.uk  
wwf.org.uk

## PARLIAMENTARY BRIEFING

### Energy Bill - Report Stage briefing

---

12 September 2011

---

#### Summary

- **The Committee on Climate Change (CCC) has stated that the Green Deal as it stands is likely to be insufficient to improve the energy efficiency of the UK's building stock on the scale required to meet the UK's carbon budgets.**
- **Businesses need greater certainty from the Government on what it requires the new energy efficiency programme to deliver in the short to medium term if business is to invest significantly in the Green Deal.**
- **Additional financial incentives will be necessary to make the Green Deal attractive to the majority of householders. This will require a package of measures.**
- **The Energy Bill needs to be amended to firmly align the Green Deal with the UK's five yearly carbon budgets and to require a cross-departmental strategy to ensure the scheme is a success. These changes are embodied in proposed new clauses one and two. Without these changes there is a risk that the Green Deal will not deliver on the necessary scale required.**

#### Linking the energy efficiency aim to the UK's carbon's budgets

WWF is concerned that the Government's energy saving programme (the 'Green Deal') will not deliver the improvements on the scale and depth required to meet the UK's carbon budgets. Encouraging energy consumption savings is a no-regrets policy and is generally the cheapest approach to reducing carbon emissions. If the UK is off-track in improving the energy efficiency of its housing stock then more costly action in another sector will be required to ensure carbon targets are met.

The Committee on Climate Change, in its Third Progress Report to Parliament, stated that the Government's proposals were likely to be insufficient<sup>1</sup>:

*“Government proposals should help to strengthen incentives for the take-up of energy efficiency measures. However, there is a significant risk that these will not adequately address the range of financial and non-financial barriers...In order to provide confidence over the scale of delivery, the Government's energy efficiency programme and the ECO should cover the full range of measures at a level of ambition commensurate with that required to achieve carbon budgets.”*

The following table reveals the clear shortfall between the actions recommended by the CCC to meet the third carbon budget and the Government's stated ambition for the Green Deal and the Energy Company Obligation (ECO) proposed in the Energy Bill.

<b>2012-2022<sup>2</sup></b>	<b>Loft insulation</b>	<b>Cavity wall insulation</b>	<b>Solid wall insulation</b>
CCC indicator <sup>3</sup>	8.3 million	5.7 million	2 million
<b>Government intention - low scenario<sup>4</sup></b>			
Green Deal	2.3 million	0.5 million	1.8 million
CERT extension	1.037 million	0.691 million	
<i>Total measures</i>	<i>3.337 million</i>	<i>1.191 million</i>	<i>~1.8 million</i>
Difference from CCC indicator	<b>-4.963 million</b>	<b>-4.509 million</b>	<b>-0.2 million</b>
<b>Government intention – high scenario - maximum expected to deliver<sup>5</sup></b>			
Green Deal	3.4 million	2.3 million	2.2 million
CERT extension	1.037 million	0.691 million	
<i>Total measures</i>	<i>4.437 million</i>	<i>2.991 million</i>	<i>~2.2 million</i>
Difference from CCC indicator	<b>-3.863 million</b>	<b>-2.709 million</b>	0.2 million

It is clear, therefore, that the ambition for the Green Deal needs to be increased and properly aligned with the UK's legally binding carbon budgets.

### **Why the Government's amendments to the Bill are insufficient**

The Government added clause 108 to the Energy Bill to try to better explain its ambition for its energy saving programme. WWF, however, believes that the new clause is inadequate. Taken with other changes it is actually a step backwards in places. WWF's main concerns with the clause are as follows:

<sup>1</sup> Committee on Climate Change, 'Meeting Carbon Budgets – 3<sup>rd</sup> Progress Report to Parliament', June 2011, pp. 9 and 26

<sup>2</sup> For full footnotes to the this table please see

[http://assets.wwf.org.uk/downloads/wwf\\_comparison\\_of\\_green\\_deal\\_contribution\\_to\\_carbon\\_budgets\\_1.pdf](http://assets.wwf.org.uk/downloads/wwf_comparison_of_green_deal_contribution_to_carbon_budgets_1.pdf)

<sup>3</sup> Committee on Climate Change Third Progress Report - <http://www.theccc.org.uk/reports/3rd-progress-report>. These figures correspond to what the CCC says is necessary to meet the carbon budget for 2022.

<sup>4</sup> These figures cover a combination of official documents that takes into account the CERT extension expected uptake and the Green Deal low uptake expectation as found in the Impact Assessment for the Green Deal.

<sup>5</sup> These figures cover a combination of official documents that takes into account the CERT extension expected uptake and the Green Deal high uptake expectation

- There is no qualified ambition within Clause 108. It calls on the Secretary of State to ‘take action as he considers appropriate’ on energy efficiency ‘to contribute’ towards an 80% emissions reduction target by 2050. What this ‘contribution’ might be is not qualified and this means businesses have little indication of what ambition is envisaged for the energy saving programme to contribute towards meeting the 2050 target or the individual carbon budgets. WWF has been calling for a commensurate contribution from energy efficiency to the achievement of the climate change targets given the “significant contribution” the Government states is possible.
- Clause 108 only references 2050 as the end date for necessary emission reductions. This ignores the five year carbon budgets established by the Climate Change Act which are of more immediate concern to businesses planning their investments. There is no clear trajectory for required energy consumption savings or clarity on what is required to meet the requirements of the carbon budgets. To provide the certainty to the market on the level of activity that is required in each individual carbon budget period the energy efficiency aim needs further amending to ensure the contribution to the 2050 target can be assessed and reviewed for each carbon budget period.
- By repealing Section 2 of the Sustainable Energy Act 2003 the Government has diluted existing requirements on energy efficiency. The 2003 legislation requires the Secretary of State to ‘take all reasonable steps’ to achieve the Government’s aim on energy efficiency which is stronger than ‘action as he considers appropriate’ in Clause 108. The requirement on the Secretary of State to act is being weakened by Clause 108.
- Clause 108 also only addresses ‘residential accommodation’. There is no logical reason to exclude non-domestic buildings in the aim clause. It is clearly stated in the Energy Bill Green Deal Impact Assessment that the programme is to include households and non-domestic buildings<sup>6</sup>.

Ultimately, the Government could actually do very little to promote energy efficiency, through the Green Deal and other policies, but still comply with the clause. Clause 108 still leaves businesses guessing what is required to meet the five year carbon budgets and provides no additional driver for action. As such clause 108 provides little further clarity on what the Government expects to see delivered through its energy saving policies and this will fail to provide greater certainty for businesses.

### **The need to make the Green Deal attractive for householders**

It is essential for the success of the Green Deal that the scheme is an attractive proposition for the vast majority of householders. One of the biggest barriers to energy efficiency uptake is the ‘hassle factor’ and innovative incentives are needed to help overcome this problem. In addition, likely concerns over interest rates charged for the Green Deal will need to be addressed.

In a survey of over 2,300 people, the level of interest rates charged for taking up the scheme was found to be a key issue. At 2% per annum 33% of homeowners said they were ‘very’ or ‘fairly’ likely to take up the Green Deal but this figure fell to 7% when an annual interest rate of 6% was

---

<sup>6</sup> Government Green Deal Energy Bill Impact Assessment, p12 - <http://www.decc.gov.uk/assets/decc/legislation/energybill/1002-energy-bill-2011-ia-green-deal.pdf>

deemed likely<sup>7</sup>. With interest rates for the Green Deal expected to be above 6% it is evident that the Government must take steps particularly in the early years to drive sufficient take up<sup>8</sup>.

A powerful driver of take-up would be the offer of council tax rebates or changes to stamp duty linked to the Green Deal. The survey found that almost half (49%) would take up the Green Deal if a one-off council tax rebate of £500 was part of the package<sup>9</sup>.

WWF, therefore, recommends a package of fiscal incentives to drive demand including:

- Council Tax rebates or variation to bandings based on the energy performance of the property;
- Increase of the Landlord Energy Saving Allowance to link with minimum standards in the private rented sector;
- A reduced VAT rate for improvements carried out through the Green Deal; and
- Stamp Duty reformed to reflect building energy performance

In addition, the Green Investment Bank (GIB) will have to play a clear role in the early years of the Green Deal to ensure low interest rates are offered. The private sector is currently unable to provide low cost, upfront capital on the scale required for the Green Deal due to balance sheet constraints, liquidity problems and the fact that the Green Deal is a new unknown risk. Indeed, the Green Deal is currently perceived as unsecured consumer finance with no track record which is in competition with other better understood infrastructure investment opportunities. The GIB will be established to focus on addressing market failures and making a modest return rather than maximising profit. For these reasons it will be able to provide lower cost capital compared to a private bank. The lower interest rates will in turn create greater savings for consumers which will incentivise take up and enable deeper retrofits to be carried out. On the other hand, relying initially on the commercial provision of upfront capital for the Green Deal will lead to higher interest rates, less take up and will simply increase the amount of subsidy required to make the economics of Green Deal investment work.

### **The need for a plan**

A coherent package of measures is therefore required to ensure the Green Deal succeeds and this will depend on having a dedicated, credible and cross-departmental strategy. A specific energy saving plan which sets out expected milestones and indicates what further policies levers will be used if the energy efficiency programme is off-track would also greatly encourage businesses by giving them the confidence that the Government will help deliver a market for retrofitting.

The Government, though, has declined to produce such a plan. The Government has argued during the passage of the Bill that setting a specific plan for the energy saving programme is unnecessary because of existing requirements in the Climate Change Act and the publication of the carbon plan. WWF, however, believes that the requirements for a plan in the climate legislation do not provide sufficient clarity on what exactly will be delivered in terms of energy savings and will not give businesses the certainty they need to invest and grow supply chains for the Green Deal.

To instil businesses with the confidence that the Green Deal is a key policy central to its climate efforts the Government must set out a detailed separate strategy for energy saving that will demonstrate its commitment to the longevity of the policy. Only a specific plan for delivering

<sup>7</sup> Great British Refurb, Green Deal – public appetite market research, 21 September 2010, <http://www.greatbritishrefurb.co.uk/images/pdfs/gbr-greendealmarketresearch.pdf>

<sup>8</sup> Joint representation to Chancellor of the Exchequer – The Green Deal in a Growth Budget, 15 February 2011 - [http://assets.wwf.org.uk/downloads/budget\\_green\\_deal.pdf](http://assets.wwf.org.uk/downloads/budget_green_deal.pdf)

<sup>9</sup> Great British Refurb, Green Deal – public appetite market research, 21 September 2010, <http://www.greatbritishrefurb.co.uk/images/pdfs/gbr-greendealmarketresearch.pdf>

the energy efficiency programme, with key timings, expectations and a clear commitment to undertake new policies if required, would be sufficient.

### **Business requires certainty to deliver the Green Deal**

With significant doubts on the viability and popularity of the Green Deal in its current form businesses are calling for greater certainty from the Government on the size of the market and how demand will be stimulated<sup>10</sup>.

Businesses that wish to engage in delivering the Green Deal will need to be making decisions on investment, supply chains, delivery mechanisms, and customer propositions soon. Wide-spread investment will be necessary to expand premises, equipment and workforce and supply chains - all of which will have implications for capital expenditure over the coming years.

Further clarity on the scale of the Government's ambition for energy savings and the necessary trajectory for energy savings (with key milestones) will be essential in determining company production and delivery volumes. Furthermore, aligning the Green Deal with the UK's carbon budgets is especially important as businesses will be looking for particular clarity over the next 5-10 years to inform their investment plans. The Energy Bill currently does not currently reflect this.

Without a clear ambition and a Government plan for the energy saving programme the market will not necessarily respond at the required scale to meet the carbon targets that the Government is obliged to meet. Just as the Government is undertaking detailed work to help reassure businesses to invest in the supply side of low carbon energy it also needs to produce a coherent and credible plan for demand side measures.

Businesses are, therefore, calling for the Energy Bill to be amended to align ambition for the Green Deal with the UK's five year carbon budgets and for an implementation plan to be drawn up by the Government to enable delivery against that ambition.

### **Conclusion**

Improving the energy efficiency of the UK's building stock will have multiple benefits for consumers, the economy, the environment and the UK's energy security. The Green Deal, however, in its current form is unlikely to deliver on the necessary scale required to meet the UK's carbon targets unless additional action is undertaken. This should involve offering a package of incentives for householders and giving confidence to businesses to invest. Amending the Energy Bill will provide the essential framework in which this would happen.

<b>Contact</b>	Russell Cooper
<b>Email/Tel</b>	<a href="mailto:rcooper@wwf.org.uk">rcooper@wwf.org.uk</a> or 01483 412382
<b>Date</b>	12 September 2011

<sup>10</sup> Joint letter to MP – 'Energy Bill – Strengthening the Green Deal' – 12 September 2011