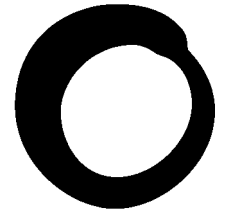


**April 2009**



**Friends of  
the Earth**

# Briefing

**BUDGET 2009**

**Analysis from Friends of the Earth**

**Overall the Budget falls way short of delivering the investment and support needed to deliver a low-carbon economy and prevent catastrophic climate change.**

**This does not mean that it doesn't contain some welcome measures, particularly on renewables. But set against the scale of what is needed to tackle climate change and the recession it squandered a historic opportunity to kick start a green industrial revolution and slash UK carbon dioxide emissions.**

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### Overall

Overall the Budget falls way short of delivering the investment and support needed to deliver a low-carbon economy and prevent catastrophic climate change. This does not mean that it doesn't contain some welcome measures, particularly on renewables. But set against the scale of what is needed to tackle climate change and the recession it squandered a historic opportunity to kick start a green industrial revolution and slash UK carbon dioxide emissions.

The car scrappage scheme and decision to pump more oil and gas out of the North Sea stand out as measures that rather than being inadequate actually take the UK in the wrong direction. The Government states that the budget announces over £1.4 billion of additional targeted support. This compares with its own advisers'- the Sustainable Development Commission- belief that £30 billion a year for three years is needed.

The Government's carbon budgets are very welcome, setting the world's first legally binding carbon budgets. However, the budgets chosen are way below what is needed to prevent catastrophic climate change. And although the Government has said no offset-credits can be used in the non-traded sector of the economy in the first budget period, which we welcome, the UK can still purchase credits from the EUETS, which is itself awash with offsets of very dubious quality.

Offsets and a low target mean that in practice, as the Government acknowledges, it need do very little new to meet its new carbon budget obligations. Given that the Climate Change Committee state that the UK electricity generation must be radically decarbonised by 2030, the weak and loose carbon budgets announced yesterday are not going to create anything like the framework required to make this happen.

### Policies in detail:

#### **1. Energy Efficiency measures for existing homes fall way short of what is required and the Government's own ambition**

There is an urgent need for the Government to introduce a comprehensive package of economic measures to radically cut emissions from the domestic sector and to encourage homeowners to upgrade the energy efficiency of their homes. On Monday (20 April) Energy and Climate Change Secretary Ed Miliband said the ambition was that "seven million homes will have been offered 'whole-house' upgrades with energy efficiency and micro-generation technologies by 2020". <http://www.decc.gov.uk/en/content/cms/news/pn045/pn045.aspx>.

This programme is itself not ambitious enough to ensure we cut carbon emissions by 40% by 2020 as demanded by the science - focussing as it does on only a third of homes. Existing programmes were barely helped by yesterday's budget with just £100m of new money being made available to fit existing homes with energy efficiency measures (see below). A tiny £70m was made available for small-scale renewables (for both businesses and homes) and community heating schemes

Leading economists including Lord Stern agree that a massive home energy efficiency drive is the most effective way to both cut emissions and generate jobs. Energy efficiency should have been a cornerstone of yesterday's budget but the Government have no intention of launching this scheme for another four years.

## **Friends of the Earth briefing: Budget 2009 - Analysis**

Friends of the Earth has called for a £7bn a year programme of investment to maximise the energy efficiency of the UK's homes. This could generate over 75,000 new jobs in the sector. It is a massive missed opportunity.

The only new retrofit policy announced yesterday was £100m extra to "improve the insulation" for 150,000 social homes (which is £667 each, whole house refits average £7,500). 150,000 homes is equal to 0.6% of the housing stock.

Overall energy efficiency spending announced in Budget is £365 million in total made up of:

- £100 m for insulation in social housing (150,000 homes, £666 per home)
- £100m for construction of new homes at higher energy efficiency standards
- £100m in low-cost loans through the Carbon Trust for SMEs.
- £65m in new funding for loans for public buildings.

So the energy efficiency total is £200m spending on homes and £165m loans for businesses and the public sector. A substantial programme of low interest loans for energy efficiency measures to SMEs would be a welcome initiative for the sector which has tended to fall through a gap in support between the Carbon Trust and the Energy Saving Trust, but the funding in the budget is totally inadequate.

To put this in perspective, The Government's own advisers advocated an £11 billion per year programme for domestic retrofitting. This would have generated hundreds of thousands of jobs, ended fuel poverty, slashed domestic emission in all UK homes by 2020 whilst increasing consumer purchasing power.

### **2. Renewable energy support is welcome - but too low and it's not all new spending**

The number of Renewables Obligation Certificates allocated to new offshore wind projects will be increased to 2 per MWh for 2010/11 and 1.75 in 2011/12 before reverting to the 1.5 ROC/MWh level. This £525m over 3 year support for offshore wind in the face of the credit crunch is welcome, but it is financed through fuel bills not public spending. It also does not tackle the issue of providing longer term security for investors - something that a large scale feed-in tariff would address, but which has not been supported by Government.

£405m for 'low carbon and advanced green manufacturing sector'. £250m of this 'will be allocated from the new Strategic Investment Fund' - it is not clear what priorities the fund has across the many different sectors it covers - £155m through the existing programmes Environmental Transformation Fund run by DECC. This funding is welcome.

On decentralised renewable energy £45m on the Low carbon Buildings Programme will cover 13,000 installations and there is £25 million for low carbon community heating. Friends of the Earth called for £1 billion to support renewables for homes and communities until the introduction of the small scale feed in tariff and heat incentive.

The detail surrounding the announcement of 'up to £4 billion' of new capital from the European Investment Bank for 'renewable and energy projects' is not entirely clear to what extent this is a done deal or that the Government can claim credit. It is certainly welcome that there is a strong pipeline of UK projects going to the EIB for funding, and that the Government has been lobbying the EIB to fund projects which may be struggling due to the credit crunch. But it is not clear to what extent funding is earmarked for the UK (compared with other EU countries) or just that the Government will be promoting projects to this fund for support, nor is it clear which types of non-renewable 'energy' projects are included.

## **Friends of the Earth briefing: Budget 2009 - Analysis**

The Government did not announce the creation of a UK Green Infrastructure Bank, supported by Green Bonds, to provide long term UK based institutional support for the renewables industry. We urge the Government to take up this opportunity as quickly as possible.

Overall on renewables, the new sums are welcome, and if the EIB funds come through and are focused on renewables this will save many strong renewables projects. However, again, the Government's own advisers advocated making available an extra £2 billion a year for three years on renewable energy, an additional £5 billion a year on grid improvements and £3 billion a year on low carbon investments in the public sector - these sums are far, far higher than those announced yesterday.

### **3. Oil and Gas incentives wipe out emission savings through to 2020**

The Chancellor announced incentives to extract a further two billion barrels of oil and gas 'that would otherwise stay in the ground'. Two billion barrels of oil represents 800 million tonnes of carbon dioxide - emissions greater than the entire reductions in the first three 'carbon budget' periods from 2008-2022, announced yesterday<sup>1</sup>.

### **4. Carbon Capture and Storage - moves welcomed**

The Government announced engineering and design studies for 2-4 carbon capture and storage demonstration projects with £90m being allocated £60m of which has been transferred from existing transport budgets. It also announced a 'mechanism' to deliver these 2-4 demonstration projects.

Whilst more support for CCS demonstration is welcome it must be supported by Government policy which introduced an emissions performance standard for new power stations (such as that introduced in California) and does not allow unabated coal fired power stations, such as proposed for the Kingsnorth Power Station, to go ahead. We welcome the increased support given to CCS plants.

### **5. Car scrappage scheme has no green substance**

The car scrappage scheme comprises:

- £2000 for motorists (half from Government, half from industry) swapping new car for old.
- Government contribution £300 million (so covers 300,000 cars)
- Applies to cars registered before July 1999.
- Scheme to run from May 2009 to March 2010 or until Government funding runs out.
- No environmental criteria on cars purchased.

The Government says:

"There are no environmental criteria for the new vehicles the motorist chooses to buy. The scheme is primarily designed to boost the automotive industry and restore consumer confidence; it was not designed as a green measure. However, we believe that there will be some benefits for the environment as old cars are replaced by newer, more fuel-efficient models".

This is a missed opportunity. This measure could have driven a major purchase of greener vehicles, by quite simply stating that, for example, only cars in new VED bands A, B and C were eligible. Instead, the environmental impact of this scheme is left to chance and could easily be negative.

## **Friends of the Earth briefing: Budget 2009 - Analysis**

### **6. Welcome rise in road fuel duty**

With the oil price falling the Government has moved to increase fuel duty to maintain the incentive for greater fuel efficiency. There will be a 2p per litre rise on 1st September 2009 then 1p per litre in real terms on 1st April 2010, 2011, 2012 and 2013. If implemented, this will save 2MtCO<sub>2</sub> a year by 2013. We repeat our concern of previous budgets that in tandem with fuel duty increases, people must be given decent, affordable, safe alternatives to private motoring and we regret that the Government has done nothing at this budget to improve these alternatives.

### **7. Momentum maintained on VED**

The Government confirmed 13 new bands announced in 2008 Pre Budget Report. More bands are planned from April 2010 to give clearer environmental signals. HGVs VED rates frozen for 2009/10. Further small improvements to company car taxation rates were announced.

### **8. Air Passenger Duty**

The rises in APD are welcome, but should be seen in the context of the abandoning of per-plane aviation duty. The Government said in the 2007 Pre-Budget that it intended to implement this, but moved back from it in the 2008 Pre-Budget. This would have encouraged fuller planes and also covered currently untaxed freight flights.

### **9. Combined Heat and Power**

We welcome the decision to extend the exemption of CHP from the Climate Change Levy until 2023. This will safeguard jobs and drive new investment.

### **10. Waste and resources**

We welcome the continued increase in the landfill tax (£8 per tonne annual increase to 2013) and the £10 million in grants to help new anaerobic digestion infrastructure (turning organic waste into clean energy).

### **For further information please contact:**

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<sup>i</sup> this assumes that barrels of oil and gas means gas as barrels of oil equivalent, uses the 0.43 metric tons CO<sub>2</sub>/barrel  
<http://www.epa.gov/greenpower/pubs/calcmeth.htm>