

November 2011



**Friends of  
the Earth**

# Briefing

## **Chancellor's Autumn Statement 2011: Stamping down the green shoots**

*For the self-proclaimed 'greenest government ever', the Chancellor's Autumn Statement on 29 November was extremely far off the mark.*

**It failed to do anything about three crises that are shaking the UK this winter:**

- **JOBBS:** he found millions to encourage big industry to pollute, but ignored the plight of 30,000 threatened jobs in the the solar industry due to Government penny-pinching
- **GREEN INVESTMENT:** no mention of the shackled Green Investment Bank, which the Treasury refuses to let out of their grip
- **FUEL POVERTY:** there was no relief for millions struggling to pay their energy bills, and no U-turning on slashing support for insulation in the homes of the fuel poor.

**This briefing sets out what the Chancellor should have done – and summarises the impact on people and the planet of what he did announce.**

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**We are:**

- the UK's most influential national environmental campaigning organisation
- the world's most extensive environmental network, with around 2 million supporters across five continents and more than 75 national organisations worldwide
- a unique network of campaigning local groups, working in more than 220 communities throughout England, Wales and Northern Ireland
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## **I. What was announced**

The Autumn Statement was grim for people, the environment, and the prospects for a thriving green economy:

- **£250 million** for **Energy Intensive Industries (EIs)** to help them avoid carbon tax. These exemptions are on top of the hundreds of millions of profits EIs have already benefited from due to over-allocation of permits in the EUETS, and other tax exemptions. Friends of the Earth says the Chancellor should have put in place measures to help these industries invest in low carbon technology and energy efficiency not given further hand-outs to carry on polluting<sup>1</sup>. It increases the risks of climate change and leaves the UK ever more dependent on fossil fuels.

In addition, the Chancellor has not taken a similarly sympathetic approach to households; one in five households in the UK have to spend more than 10 per cent of their income on heating their homes (see page 4).

- **A tranche of new infrastructure, most of which is high-carbon** - for example roads. Most of these projects were pre-announced, but a handful were new. There were virtually no new announcements on support for low-carbon energy supply. On **transport**, the good news was that a number of rail schemes were in the list, such as the electrification of the transpennine rail route and the Oxford-Bedford rail link. But the list is dominated by **road** schemes like the new M56 Manchester Airport link, and widening the Nottingham M1/A453 link. Too many high-carbon schemes remain, such as the Mersey Gateway.
- He scrapped the planned 3p rise in **fuel duty** due for January 2012 which would have ensured fuel duty kept pace with inflation. In addition, although he did announce that regulated **rail fare rises** would be lessened in the new year, they'll still go up - by 6.2%, rather than 8.2% as previously intended.
- The Chancellor appeared to say that protecting **natural habitats** is bad for business, promising a clampdown on "goldplating" of the EU Habitats Directive. Friends of the Earth believes that attempting to water down one of the few safeguards for our hard-pressed British wildlife has no part in a modern economy, and this announcement from the Government was deeply concerning.

Osborne also defended the changes to the planning system which threaten to wreak havoc for natural spaces and local areas. Friends of the Earth believes that the planning system is vitally important in ensuring low-carbon, sustainable development and that we have to be able to refuse damaging and unsustainable development. The Government's new National Policy Planning Framework, however, is growth-obsessed at the expense of sustainable development.

- The statement was more bad news for those on the **lowest incomes**. Government's own analysis shows that the poorest have borne the brunt of changes to tax credits, savings from which are used to pay for other things in the package. For example, £5 billion has been found by scrapping planned increases in child tax credits, exactly the same amount as the Government estimates it will cost to scrap the fuel duty rise; as a proportion of income and expenditure, the poorest have subsidised cuts in fuel duty for everyone, even though they are least likely to own a car.

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<sup>1</sup> [http://www.foe.co.uk/resource/briefings/energy\\_intensive\\_industry.pdf](http://www.foe.co.uk/resource/briefings/energy_intensive_industry.pdf)

## **II: What the Chancellor should have announced**

### **1. PROTECT JOBS:**

#### **Reverse the desperate lunge to slash Feed-in Tariffs**

*“A dramatic cut in the solar feed-in tariff... is the latest in a string of Government own goals”  
John Cridland, Director-General, CBI*

The Government is proposing drastic, hasty, and devastating cuts to Feed-in Tariffs for small scale energy generation. There is little dispute that the tariffs should be reduced to some degree, but it is a question of when, and by how much. The scale and speed of the Government’s proposals will devastate the UK solar industry – a genuine recent economic success story:

- 30,000 people are estimated to work in the industry, up from 3,000 in 2010
- The costs of solar in the UK have fallen by at least 30 per cent in the last year as global demand has risen and installations have ramped up.

The FIT has played a central role in opening up the energy market to diverse groups like farmers, businesses, schools and churches – and is at the heart of scores of (now endangered) housing association and local authority-led schemes.

The Government says that take-up of the FIT is too high and will bust the arbitrary ‘budget’ that the Treasury forced onto it at the Comprehensive Spending Review (CSR). It is proposing to slash the tariffs, and far earlier than investors had expected – in a matter of weeks (December 12<sup>th</sup>), before the consultation on the changes has ended – rather than April 2012. Research for Friends of the Earth by Element Energy shows that the Government’s proposals imply job losses of up to 29,000 as demand is culled by the new rates.

The Chancellor must protect jobs and a growing industry by committing to:

- **Stick with the April 2012 date for tariff changes**, abandoning the proposed date of December 2011. The Government’s own impact assessment shows that cutting tariffs five months early will save less than £1 on the average energy bill – less than 0.1% of the total – but is wreaking havoc.
- **Find more money to support the UK solar industry. £214 million a year for the rest of the CSR period** would support the solar industry through this difficult period and ensure a healthy future for decentralised energy in the UK. As shown by new research for Friends of the Earth and the Cut Don’t Kill campaign, this is less than the estimated income that the Treasury gets from the solar industry: its employment taxes and VAT alone nets the Chancellor £275 million<sup>2</sup>.

For more information, see [http://www.foe.co.uk/resource/briefings/solar\\_cuts\\_briefing.pdf](http://www.foe.co.uk/resource/briefings/solar_cuts_briefing.pdf)

### **2. UNLOCK INVESTMENT:**

#### **Unshackle the Green Investment Bank and let it borrow**

*“Ducks quack, and banks borrow as well as lend”  
Chris Huhne MP, Energy & Climate Change Secretary*

The Green Investment Bank must help to drive the investment in a low-carbon economy that we desperately need. The Government is to be commended for committing to bring in the Bank - but for the next half-decade at least it is destined to be a lame duck: a bank in name only. The Bank is forbidden from borrowing on the capital markets until 2015/16 at the earliest – and only then when national debt is declining as a percentage of GDP.

<sup>2</sup> [http://www.foe.co.uk/resource/press\\_releases/solar\\_cuts\\_cost\\_millions\\_23112011.html](http://www.foe.co.uk/resource/press_releases/solar_cuts_cost_millions_23112011.html)

This is completely the wrong way round. The GIB is a powerful tool in the Government's belt. It must be set free from Treasury control and allowed to play a leading role in kickstarting the very economic recovery the Government needs. UK Sustainable Investment and Finance, representing assets of over £500 billion, says that linking the Bank's borrowing to progress on the deficit does not give investors the certainty they need.

Nervous investors will also seek reassurance from the Government that it will back the Bank with a guarantee. As the Government repeatedly states, certainty is vital for investors.

The Chancellor must show his support for low-carbon investment by:

- **Committing that the GIB can borrow from the capital markets from day one**
- **Getting the bank off to a decent start by ensuring that the Government will provide guarantees for the GIB's activities.**

### **3. PROTECT THE POOREST:**

#### **Do more to help those struggling with runaway energy bills**

This winter millions will struggle to pay their fuel bills. At the last count (2009) over one in five households in the UK (5.5 million) were estimated to be in fuel poverty<sup>3</sup> – meaning they have to spend at least 10 per cent of their income on heating their home.

Bills are rising due to our over-reliance on fossil fuels – soaring international gas prices are pushing up our domestic gas and electricity bills to new heights. Householders are vulnerable in large part because of the terrible state of the UK housing stock: a radical programme of energy efficiency is needed.

Big promises are being made for the Government's Green Deal; householders will be offered loans to improve the energy efficiency of their homes, with repayments made from the resultant savings on energy bills. The Government's initial claims that 14 million homes will be reached by the Green Deal have been downgraded to 3.6 million by 2022 in the current consultation on the scheme.

But for those on lower incomes, the Green Deal will not work. Huge amounts of subsidy are needed. For the first time since the 1970s, there will soon be absolutely no central Government taxpayer funded support for energy efficiency. The Government will also make much less money available to the fuel poor from its schemes funded via energy companies. Only 25 per cent its new Energy Company Obligation will be earmarked for the fuel poor – from a total pot which at £1.3 billion is less in real terms than the scheme it replaced (CERT).

The immediate concern is to help those struggling with their bills here and now. The Comprehensive Spending Review also cut Winter Fuel Payment funding for pensioners by £300 million – or £100 for someone over the age of 80.

The Chancellor must protect the public from soaring energy bills by:

- **Restoring the cut in Winter Fuel Payments and extending the Warm Homes Discount to vulnerable families with children**
- **Find additional funding to keep the Warm Front grant scheme for energy efficiency** – this could be part funded by the £200m the Treasury is to net from VAT receipts from rising energy prices.
- **Committing to bolster the funding available for fuel poverty in the Energy Company Obligation** by using the billions expected to pour into the Exchequer from future EU ETS permit sales and revenue from the new Carbon Price Floor.

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<sup>3</sup> <http://www.decc.gov.uk/assets/decc/statistics/fuelpoverty/2181-annual-report-fuel-poverty-stats-2011.pdf>