



## **Budget Briefing 2012**

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## 1. The Energy Bill Revolution & Budget 2012

The Energy Bill Revolution is a public campaign for warm homes and lower energy bills. We are calling on the Chancellor to announce that the Government will use the money from carbon taxes to make the UK's homes super-energy efficient. This will drive down energy bills, help end fuel poverty, help tackle child poverty, create jobs, improve health and reduce carbon emissions.

## 2. Why the Energy Bill Revolution is needed

High energy bills are causing immense financial hardship across the UK. Average household bills have doubled in the past six years from around £600 a year in 2006 to more than £1,200 a year now.

The main reasons for this are high gas, oil and coal prices, and the fact that the UK's homes are some of the most energy inefficient in Europe – leaking heat from their doors, walls and windows. This means they cost much more than they should to heat and power, and they contribute to climate change too.

As a result, 1 in 4 UK households are now in fuel poverty, meaning they need to spend 10% or more of their income on keeping their homes warm. There is a risk that 1 in 3 households could be in fuel poverty by 2016 if gas prices increase as the Government expects. Older people, children and people with disabilities or health issues are all particularly vulnerable to the mental and physical impacts of living in cold homes brought on by high energy bills.

The only permanent solution is to make all UK homes super-energy efficient. But to make this happen the Government has to spend more money on programmes to insulate millions of homes.

**The Solution:** The Energy Bill Revolution is calling on the Chancellor to use the money the Government collects from carbon taxes to make our homes super-energy efficient. Over the next 15 years the Government will raise £64 billion in carbon taxes. If this were recycled to households, it could bring 9 out of 10 homes out of fuel poverty, generate 200,000 jobs and in time make every UK home super-energy efficient.

## 3. How the Energy Bill Revolution works

**Carbon tax:** The Government taxes big companies for the damage their carbon emissions cause. They do this to encourage them to invest in clean energy sources to help combat climate change and wean the UK off fossil fuels.

There are two main carbon taxes. The first is a European carbon tax called the European Emissions Trading Scheme. Under this scheme, big companies have to buy carbon permits. The cost of buying these permits is then eventually passed on to consumers and small businesses and ends up on their energy bills.

The second main carbon tax, which starts in April 2013, is called the Carbon Floor Price. This tax will prevent the cost of carbon falling below a minimum price – to give investors the confidence to invest in low carbon energy. This will also be passed on to consumers and small businesses via their energy bills.

Together these carbon taxes will raise £64 billion for the UK Treasury over the next 15 years. The Government will raise over £2 billion in 2013, rising up to £7 billion by 2027. That is an average of £4 billion per year over the next 15 years.

But the money these taxes raise isn't spent on helping to drive down our energy bills. Using the money to make our homes super-energy efficient would make these carbon taxes much fairer and would be the most effective way to help people cut their energy bills. It could also create up to 200,000 more jobs – four times more than will be created under the Government's current energy efficiency schemes.

**Recycling carbon tax to households:** We want the Government to use the money it collects from carbon taxes to help households to reduce their energy bills by spending it on making homes super-energy efficient. By doing this, it could quadruple the financial assistance currently available to households.

There are many ways this money could be spent to help households. Our priority is to use the carbon tax revenue to help fuel poor households. Our research shows that on average a fuel poor household needs a grant of £6,500 to bring them out of fuel poverty. There is enough carbon tax revenue, for example, to give 600,000 fuel poor homes every year an average grant of £6,500. This would drive down their energy bills by an average of £310 every year. There is enough carbon tax revenue to bring 9 out of 10 homes out of fuel poverty. Over time, every UK household could receive enough financial support to make their home super-energy efficient.

Recycling carbon revenue to make UK homes super-energy efficient is the most fair and effective solution to bring down energy bills.

#### **4. Fuel poverty**

Many people in fuel poverty simply can't afford to keep their homes warm. Living in cold homes can be very damaging to physical and mental health. Older people are at particular risk of health problems as a result of living in fuel poverty. But children and people with disabilities are also very vulnerable.

We estimate that there are 6.3 million households in fuel poverty in the UK. If gas prices rise as the Government expects, we estimate that this will rise to 9.1 million households by 2016, the time by which the Government has a legal duty to do everything reasonably practicable to eliminate fuel poverty. It is estimated that more people die from living in cold homes than die on our roads each year.

**Fuel poverty set to increase:** The existing government schemes to help people on lower incomes make their homes more energy efficient are coming to an end over the next year. These will be replaced with a subsidy scheme called the Energy Company Obligation, which will be paid for by a levy on consumer energy bills. It will raise £1.3 billion every year for energy suppliers to spend on energy efficiency measures such as loft, cavity and solid wall insulation. The Government wants to ring-fence some of this money to insulate lower income and vulnerable households and ring-fence the remainder for other homes which are known as 'hard to treat' (mostly because they have solid walls which are expensive to insulate).

The Energy Company Obligation is a valuable subsidy but the Government plans to only give a portion of it to lower income and vulnerable households. Even if it was all given to fuel poor homes, it would be nowhere near enough to end fuel poverty. Taking into account the Government's current policies, including the ECO and the Green Deal, it is estimated that fuel poverty in the UK could increase by more than 40% by 2016, from 6.3 to 9.1 million homes.

## 5. Carbon emissions

The Government has a legal obligation to reduce the UK's greenhouse gas emissions by at least 80% by 2050 in order to help combat climate change<sup>1</sup>. If the Government fails to meet its targets, we increase our risk of facing the serious environmental, social and economic impacts of climate change.

The UK Government has also accepted the recommendations of the Committee on Climate Change and agreed to reduce carbon emissions by 50% (over 1990 levels) by 2027<sup>2</sup>. Reducing emissions from homes is crucial if we are to meet these overall targets. But at the moment the Government risks falling far short.

About 37% of all the UK's greenhouse gas emissions come from non-industrial buildings. About 25% of the UK's greenhouse gas emissions come from homes<sup>3</sup>. The Government has two flagship energy efficiency policies, the Green Deal and the Energy Company Obligation (ECO). Unfortunately, without greater support they will not reduce carbon emissions at the scale required. The Government needs to find additional carbon savings from buildings, which are up to four times as great as the carbon savings projected to come from the Green Deal and ECO combined<sup>4</sup>. Unless the Government offers households greater financial assistance, they are likely to miss their climate change targets.

## 7. Who's behind the campaign

The Energy Bill Revolution is a public campaign. We are an alliance of children's and older people's charities, environment groups, health and disability groups, trade unions, consumer groups, businesses, politicians, public figures and members of the public. Signatories to our campaign petition include: *Save the Children, the National Children's Bureau, the Children's Society, Barnardo's, National Pensioners' Convention, WWF, Friends of the Earth, TUC, GMB, Unite, IKEA, Kingfisher, Asda, The Mark Group, National Energy Action, Centre for Sustainable Healthcare, USwitch and Consumer Focus*. **For a full list of organisations on board, visit: [www.energybillrevolution.org/whos-behind-it](http://www.energybillrevolution.org/whos-behind-it)**

## 8. Support the Energy Bill Revolution

You can support The Energy Bill Revolution by supporting:

### **EDM 2769 – Reducing Fuel Bills Through Energy Efficiency.**

See <http://www.parliament.uk/edm/2010-12/2769> (and Appendix 1 for full petition text and sponsors)

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<sup>1</sup> Climate Change Act 2008

<sup>2</sup> Announced in the summer of 2011 – DECC ref CHECK

<sup>3</sup> Camco (2012) *The Energy Bill Revolution Campaign Report*

<sup>4</sup> Camco (2012) *The Energy Bill Revolution Campaign Report*

## 9. Contacts

For further information, visit [www.energybillrevolution.org](http://www.energybillrevolution.org) or contact:

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## Appendices

### Appendix 1

#### Early day motion 2769

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### ***REDUCING FUEL BILLS THROUGH ENERGY EFFICIENCY***

- Session: 2010-12
- Date tabled: 23.02.2012
- Primary sponsor: [Aldous, Peter](#)
- Sponsors:
  - [Amess, David](#)
  - [Bruce, Malcolm](#)
  - [Leech, John](#)
  - [Walley, Joan](#)
  - [Whitehead, Alan](#)

That this House recognises that energy bills are causing immense financial hardship, with one in four households struggling to heat their homes; believes that cold, badly insulated homes damage the health of the most vulnerable, including older people, children and people with disabilities, costing the NHS almost a billion pounds a year; further believes homes can be made warm and cheaper to heat with high quality insulation and energy efficiency measures; further believes that this is a cost-effective, fair and permanent way to reduce fuel bills and tackle fuel poverty and will generate many thousands of jobs and cut carbon emissions; and calls on the Government to use revenues raised from the European Union Emissions Trading Scheme and the Carbon Floor Price to provide additional resources for policies to deliver energy efficiency in homes, especially those housing the fuel poor.

## Appendix 2 – Energy Bill Revolution Report - Key Findings

The Energy Bill Revolution Report was commissioned by Transform UK, the Co-operative Group and Consumer Focus to assess the environmental, social and economic benefits of using carbon taxes to make existing homes more energy efficient. The report can be downloaded at [www.energybillrevolution.org/resources](http://www.energybillrevolution.org/resources)

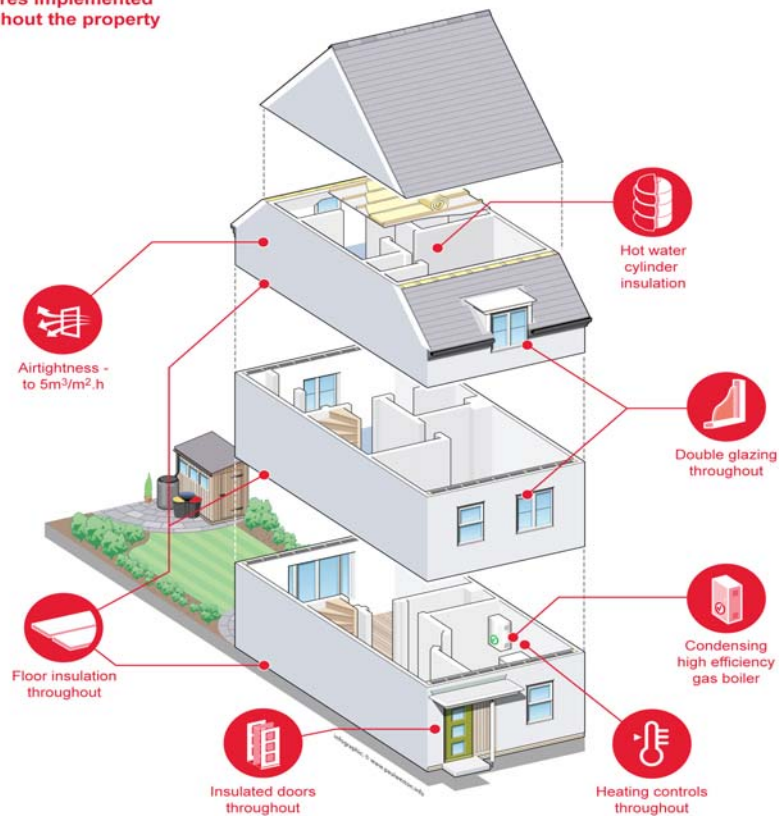
The key findings are as follows:

- The Government projects that on average 100,000 homes a year will take up the Green Deal between 2013 and 2027 in the absence of any subsidies or other incentives. A further 260,000 households a year are expected to take up measures funded by the Energy Company Obligation between 2013 and 2022. This represents a reduction in the installation rates of basic energy efficiency measures compared to previous schemes.
- As a result, without greater financial support, the Green Deal and ECO will fall short of delivering against the Government's legally binding CO<sub>2</sub> reduction targets under the fourth carbon budget and the Government's legally binding 2016 fuel poverty targets.
- Under the Government's central energy price inflation scenario, there is a risk that the number of fuel poor households in the UK will rise by 40% between 2011 and 2016, from 6.4m to 9.1m, even after taking account of the energy bill reductions generated by ECO-funded energy efficiency improvements.
- Additional incentives and subsidies are required to meet CO<sub>2</sub> reduction and fuel poverty targets, and deliver whole house retrofits to future-proof our existing homes against fuel poverty.
- The Government will raise around £64bn in carbon tax revenue by 2027 (the end of the fourth carbon budget) from the EU Emissions Trading Scheme and the Carbon Floor Price mechanism. This is an average of £4bn per year over this period. Recycling of this revenue into energy efficiency programmes would have a transformational impact in terms of reducing CO<sub>2</sub> emissions and fuel poverty, and on job creation.
- The recycling of carbon taxes would help achieve the Government's target in the fourth carbon budget period, saving up to four times as much carbon as the Green Deal and ECO combined.
- If the carbon tax revenues were allocated to tackle fuel poverty, all 9.1m fuel poor homes could be upgraded by 2027. This equates to 600,000 homes receiving energy efficiency measures worth on average £6,500 each year. The recycled carbon tax revenue would cut their household energy bills by £310 per year. It would remove 87% of these households from fuel poverty and raise the energy efficiency standard of the remaining 13% to that of a home built today.
- Alternatively, recycling of the carbon taxes could, for example, halve the number of fuel poor households, plus work with the Green Deal to upgrade up to a third of the non-fuel poor households over the next 15 years to the same energy efficiency standard as a newly built home today.
- The recycling of carbon tax revenues would support between 30,000 and 50,000 direct jobs related to the installation of the measures, and between 120,000 and 200,000 direct and indirect jobs in the wider economy. Compared with the Green Deal and ECO, the recycling of carbon taxes would support up to four times as many jobs in the economy.

## Appendix 3 – Illustration: Impact of recycling carbon tax to help typical fuel poor semi-detached home.

**Fuel poor home**  
Semi detached gas heated cavity wall

**Measures implemented throughout the property**



Grant	Capital costs	Annual energy bill before measures	Annual energy bill after measures	Annual bill saving	% bill saving	CO2 saving
£9,000	£9,000	£1,780	£1,150	£630	35%	27%