

Budget Briefing 2013

19 March 2013

Pre-Budget coverage and speculation has focussed on two key questions: how can the Government generate growth in the UK economy, and how will the public react to, or even cope with, ongoing “austerity” measures that are reducing benefits and public spending and making tax cuts hard to afford?

The Energy Bill Revolution addresses both problems. A programme of home energy efficiency improvements both creates jobs and growth *and* helps those struggling hardest to afford warm homes. Indeed, important research carried out this year showed **such policies would provide a more effective boost to our economy than cutting VAT, reducing fuel duty or investing in capital infrastructure like roads.**

From 2013, the Government will have new streams of money from EU Emission Trading Permits auctions, and the Carbon Floor Price. As in many other EU countries, these should be invested in energy efficiency.

We hope that in the debates around how the Budget will affect growth and coping with austerity, you will raise the benefits of tackling fuel poverty through energy efficiency in Parliament.

The problem of high fuel bills and fuel poverty

We are facing an energy bill crisis, with millions of people struggling to heat their homes. 1 in 4 households in the UK are now in fuel poverty, meaning they need to spend more than 10% of their income on keeping their homes warm. The problem is likely to get worse, with 1 in 3 households projected to be in fuel poverty by 2016. Cold homes are damaging the health of vulnerable members of society, with the illnesses they cause costing the NHS nearly one billion pounds each year. **On average, at least 7,800 people die every year from living in cold homes – over four times the number of people who die on British roads**

The main reasons for this crisis are that gas, oil and coal prices are high, and our housing stock is one of the most energy inefficient in Europe – leaking heat from doors, walls and windows.

The solution: investing in the vital infrastructure of improved homes

Governments have tried to alleviate fuel poverty by boosting incomes, keeping fuel prices as low as possible, and by making homes more efficient. It has long been accepted that it is the last of these three approaches that is the only long term solution, though helping people afford fuel is vital in the short term.

In the four years to 2011/12 spending on these policies averaged over £4 billion a year, but only a quarter of this was spent improving the energy efficiency of homes. Analysis by the Association for the Conservation of Energy shows that not only is total spending on fuel poverty falling by 26%, but the proportion of that money invested in long term improvement in housing quality will also fall - to just 17% this year.¹

Funding an extensive programme of energy efficiency.

From this year, the Government has two new income streams from the auctioning of carbon permits under the EU Emissions Trading Scheme, and the revenue raised by the Carbon Floor Price. These taxes are expected to raise an average of £4 billion a year for the next 15 years. This money should be re-invested in a massive programme of energy efficiency.

The work could be delivered through additional support for planned policies for example, the provision of extra funding for the Energy Company Obligation, and the subsidy of Green Deal interest rates. There are also strong arguments for providing support to local authorities to carry out area wide improvements that have been shown to be popular and cost effective.

The idea of using carbon taxes to invest in further reducing carbon emissions is gaining support – both because it increases their effectiveness in cutting carbon, and because citizens tend to look more favourably on green taxes that are used to improve the environment. Those seen as simply topping up Treasury coffers can be seen as stealth taxes. Across Europe, governments in France, Germany, Italy, Spain, the Czech Republic and the Republic of Ireland have all announced their intention to invest money from the ETS scheme into cutting carbon emissions.

Economic benefits

Too often, improving existing homes is forgotten in discussions of investment in infrastructure. Major building projects like roads, airports, new power stations are thought of as infrastructure but a massive upgrade of existing homes is not. Insulation and energy efficiency improvements distributed across millions of properties may be less visible than a new power station or motorway, but a healthy, efficient housing stock is one of the most vital pieces of infrastructure we can have.

This year, detailed research by Consumer Focus and Cambridge Econometricsⁱⁱ, has quantified these benefits further, and found

- An energy efficiency programme is a more effective way to stimulate the economy than alternatives like cutting VAT, reducing fuel duty or investing in capital infrastructure projects such as new roads
- Such a programme would create 71,000 jobs by 2015 and up to 130,000 jobs by 2027
- The resulting reduction in gas and oil imports would improve the balance of payments position, boost economic growth and improve the country's energy security
- The energy efficiency programme is 'shovel ready' and would stimulate economic activity and jobs in all regions of the UK
- It employs workers in construction and allied sectors where there is surplus capacity – so investment is less likely to 'crowd out' alternate economic activity
- By reducing the amount of money consumers have to spend on energy they would have more money in the wallet to spend on UK products and services
- It would also reduce NHS expenditure on treating cold-related illnesses such as respiratory and coronary diseases

About the campaign

The Energy Bill Revolution was launched just over a year ago, and is now supported by over 120 children's and older people's charities, health and disability groups, environment groups, consumer groups, trade unions, and businesses.

A cross-party group of MPs have tabled an Early Day Motion in Parliament (EDM 47 – Reducing Fuel Bills Through Energy Efficiency) which – along with a similar EDM in the last session – has been signed by almost 200 MPs.

The principle of recycling carbon taxes to fund an energy efficiency programme has also been included in a Joint Communique on a series of energy roundtable discussions organized by WWF, the University of Exeter and Consumer Focus.ⁱⁱⁱ

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ⁱ [www.ukace.org/publications/ACE%20Briefing%20\(2012-05\)%20National%20fuel%20poverty%20budgets](http://www.ukace.org/publications/ACE%20Briefing%20(2012-05)%20National%20fuel%20poverty%20budgets)

ⁱⁱ Full report and Executive Summary can be downloaded here: <http://www.energybillrevolution.org/macro-research>

ⁱⁱⁱ www.wwf.org.uk/what_we_do/press_centre/?uNewsID=6075