



APSE Briefing 20-70

July 2020

## Chancellor Announces Green Investment Package

### Introduction

This briefing was first issued as APSE Energy briefing 11/20 'Green Investment Package.

On the 8<sup>th</sup> July 2020 the chancellor, Rishi Sunak, announced a wide-ranging package of tax and spending measures to kick-start Britain's economic recovery from the coronavirus lockdown. This briefing outlines the measures that are related to the climate change and energy agenda, and in particular those that are relevant to local authorities. The briefing concludes with an APSE Energy comment.

### Green Spending Overview

The UK government's plan for post-COVID recovery was set out in two speeches at the end of June and early July, by prime minister Boris Johnson and the chancellor Rishi Sunak. According to government figures, the package is worth up to £30bn, with £3bn ~~is~~ earmarked for climate action.

Rishi Sunak has announced the launch of a £3bn green investment recovery package to decarbonise public buildings and cut emissions from poorly insulated homes. It includes £1bn for public buildings – such as schools and hospitals – and a £2bn scheme to retrofit people's homes. Under the plans, homeowners will be able to apply for vouchers of up to £5,000, with up to £10,000 available for some families.

Sunak says that the extra money for decarbonising houses, schools, hospitals, prisons and military bases will help the UK meet its target of being a net zero carbon economy by 2050, and that further green spending is likely to be announced later in the year.

Another notable part of the package is up to £100m in R&D funding for direct air capture (DAC), technology that can suck CO<sub>2</sub> from the air for use or permanent storage.

### Public Buildings & Social Housing

£1bn has been earmarked by the chancellor to improve the insulation and energy efficiency of public buildings, and to invest in green heating technology.

Mr Sunak has also announced £50m to pilot new approaches to retrofitting social housing at scale to make them greener, through measures such as heat pumps, insulation and double glazing, which the Treasury said would support landlords to improve the least energy efficient social rented homes in England.

Warmer homes for social tenants could lower annual energy bills by £200 a year for some of the poorest households, the government estimates. The UK's homes are the draughtiest in Europe, accounting for about a fifth of the UK's carbon emissions, but sporadic attempts at insulation programmes by governments over the last two decades have failed to make much progress.

### **Green Homes Grant**

The Green Homes Grant scheme will see households receive vouchers worth up to £5,000 to use on environmentally-friendly additions such as insulation, low-energy lighting, double glazing and energy-efficient doors. The grant could be as much as £10,000 for the poorest households, and will cover the cost of the renovations in full.

Under the Green Homes Grant, the government will pay at least two-thirds of the cost of home improvements that save energy, the Treasury said. For example, a homeowner of a semi-detached or end-of-terrace house could install cavity wall and floor insulation for about £4,000 - the homeowner would pay £1,320 while the government would contribute £2,680.

The scheme will launch in September, with online applications for recommended energy efficiency measures, along with details of accredited local suppliers. Once one of these suppliers has provided a quote and the work is approved, the voucher is issued.

### **Green Employment & Charity Fund**

With a big focus of the spending statement being on jobs, it is thought most of the remaining £2bn will be spent on creating "green" employment opportunities for construction workers.

The chancellor said he wants to create green jobs adding "this is going to be a green recovery".

The Conservative manifesto at the 2019 election promised to invest £9.2bn on improving energy efficiency in homes, schools and hospitals, saying that this, if done at sufficient speed, would create around 100,000 jobs.

A Green Jobs Challenge fund will provide £40m for green charities working on improving England's landscapes, with the money to be spent on projects such as tree-planting and cleaning up rivers.

### **Industry Reaction**

This funding announcement has been welcomed by the energy sector largely, although many have warned that more is needed. Some environmental groups have reacted with disappointment to details of the government's COVID-19 economic rescue package released by the Treasury. Their reaction has broadly been "underwhelmed", though the efficiency funding was welcomed as a "start" and a "step in the right direction."

"Surely this is just a downpayment?" asked Rosie Rogers, head of green recovery at Greenpeace UK. She pointed to the German government's £36bn investment in measures to boost the economy while cutting emissions, with France spending £13.5bn to the same end. If the total green element of the economic rescue package ends up at £3bn, that would be "not playing in the same league", she said.

Katie White, executive director of advocacy and campaigns at WWF, said its research has shown £90bn of benefits to the UK economy from investing in a green recovery. "But a recovery where we ignore climate and nature is not a recovery at all – it is starting the timer for the next crisis. All eyes will be on the chancellor's speech to see if ambitions will truly meet the future challenges we face," she said.

Dr Nina Skorupska CBE FEI, chief executive of the Renewable Energy Association, said it “lays the foundations for a successful Green Recovery by prioritising energy efficiency, funding social housing retrofits and emphasising the need for green jobs, but the financial aid is woefully inadequate”.

## **APSE Energy Comment**

There is a need for local authorities to remain aware of where direct finance is available as part of these announcements and of indirect opportunities.

Local authorities have taken forward schemes similar to those mentioned in the announcements for many years on a local scale. Significant insulation schemes, renewable technology and heat pumps are all examples.

The supply chain needs to be able to keep up with demand for new products and there have been issues with the installation and maintenance of some technologies, such as heat pumps. This is a skills issue and some councils have focussed on ensuring their operatives are upskilled so they are not held to ransom by external companies. They will be in a good position to sell these services to other public and private providers and generate an income stream. The sums involved are large and being in a position to install insulation commercially may be an option for some local authorities, particularly those who have retained or recently insourced their direct labour organisation services, particularly in building maintenance. Alongside these green investment in homes and public buildings there have been further calls to recognise the value of social housing to keep communities safe; including truly affordable rents and secure tenancy as well as access to outdoor space through homes with gardens and good public realm. Local authorities are of course well-placed to ensure that opportunities for apprenticeships are integrated into green investment strategies.

A further area for consideration is within Leisure services – with wet and dry facilities both using large amounts of energy for heating and lighting gyms and swimming pools – councils should consider how investing in these as public assets could help to reduce both the carbon footprint and running costs of the facilities, given the financial impact of COVID-19 on the leisure sector.

Therefore, whilst the sums currently on offer may be viewed as a starting point the funding announcements clearly help to develop the case for local councils to be part of the journey to ‘build back better’ enabling climate and carbon considerations, alongside ecological issues to be part of the post-COVID solutions. APSE will however continue to press the case that our member local councils must be at the heart of building a new green economy and rebuilding the jobs, skills and investment at a local level.

## **Contact Details**

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