

Number 10 Jobs Summit:

Brown's opportunity to insulate us from global economic freeze and create a new workforce of 75,000 green builders.

"Does the economic downturn make it less likely that people are willing to make these environmental investments for the future? Well, the whole point of our discussions is that we must build tomorrow today... People will want to use the changes we have got to make as a result of the downturn to take the next step towards building a far more environmentally sustainable economy." - Prime Minister Brown, Sunday 4th January 2009

The global economy is facing a triple crunch - a combination of a credit-fuelled financial crisis, concern over energy security and prices and accelerating climate change.

This is an historic opportunity to take a lead on climate change and energy security whilst implementing measures that would bring a much needed boost to the economy.

The Prime Minister must ensure that Britain leads¹ the world in environmental technologies by directing new investments not only into renewable technologies but also ensuring that our homes and our businesses make the most effective use of energy. Energy efficiency should not be an added extra but at the heart of the response to the economic crisis as it is the quickest and fastest route to take for both job creation and cutting emissions. It can be applied to many aspects of building maintenance and construction, such as heating, cooling, insulation, lighting and appliances, and also to industrial processes and transport.

Greenpeace is calling on Gordon Brown to:

- Scrap the controversial cut in VAT by 2.5% and use the £11 billion remaining revenue for investment in green collar jobs. On January 7th 2009, Simon Wolfson, CEO of Next, stated in an interview for the BBC's Today programme, that if the VAT cut was "designed to boost expenditure, then it really has had no effect what so ever"².
- Create a new workforce of up to 75,000 green builders by investing £5 billion annually in a National Energy Efficiency Strategy, which would include a future minimum standard for refurbishment and retrofitting housing stock to tackle fuel poverty.
- Waive stamp duty or Council Tax for any household upgrading between energy performance levels or provide mortgage interest tax relief for green mortgages or loans.

¹ Prime Minister Brown, The Observer, Sunday 4th January 2009

<http://www.guardian.co.uk/politics/2009/jan/04/gordon-brown-environment-interview>

² BBC Today Programme, 7th January 2009.

- The government should make aggressive use of the new wave of innovative private sector companies (Energy Service Companies) to cut its own energy bills by 20%, saving money overall and stimulating a new energy business model for the 21st Century.

If this fiscal stimulus is redirected towards investment in energy efficiency then there is a real opportunity to not only create tens of thousands of jobs, having an immediate impact on insulating people from the worst impacts of recession, but also help us take huge strides towards decarbonising our economy.

Energy efficiency and job creation

The opportunity to start delivering on improved energy efficiency measures here in the UK is huge. Retrofitting buildings offers a critical means of merging employment stimulus with climate change commitments.

California has, through the adoption of key energy efficiency policies between 1978 and 2007, created 1.5 million new jobs³. The number of UK jobs created by an efficiency campaign obviously depends on the amount of investment. The best estimate available⁴ suggests a programme to upgrade the housing stock would require £3.5-6.5 billion per year up until 2050. Environmental Change Institute estimate that this could create between 25,000 and 75,000 jobs.

The case for energy efficiency as fiscal stimulus rests on four pillars:

- It is labour intensive to provide a fiscal stimulus through the construction industries, trades and light manufacturing. To date, the largest and most ambitious retrofitting project is the German Alliance for Work and the Environment. Under this initiative, 342,000 apartments were retrofitted to very high standards and 140,000 jobs created or saved⁵.
- Investing in energy efficiency crucially keeps jobs such as skilled builders, fitters and joiners, energy auditors and managers in the UK as it is largely domestically produced, and less import-intensive than major energy infrastructure developments. This is particularly advantageous strategy with a weakened sterling.
- In the US, The Apollo Alliance estimates that every \$1 million invested in the US in energy efficiency projects creates 21.5 new jobs, as compared to only 11.5 jobs for new natural gas generation⁶.
- It is usually very cost-effective. Government figures show that there is the potential to save over 30% of all energy used in the UK solely through efficiency measures that would also save more money than they cost to implement. Government puts the total saving for consumers for this level of efficiency improvement at £12 billion⁷. For example, many energy efficiency

³http://are.berkeley.edu/~dwrh/CERES_Web/Docs/UCB%20Energy%20Innovation%20and%20Job%20Creation%2010-20-08.pdf

⁴ Oxford University Environmental Change Institute for Federation of Master Builders "Building a Greener Britain" July 2008. <http://www.fmb.org.uk/EasysiteWeb/getresource.axd?AssetID=2358&type=full&servicetype=attachment>

⁵ http://www.sahfnet.org/index_17_1_1.pdf

⁶ Economic Stimulus: The Case for "Green" Infrastructure, Energy Security and "Green" Jobs - Deutsche Bank Group, November 2008,

⁷ <http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/strategy/piuh.pdf>

investments have attractive economics: the cost of cavity wall insulation averages about £250 and saves £160 pa – paying for itself in less than two years⁸. This will help to reduce public hostility to paying for an effective response to climate change.

The case for action on energy efficiency as an environmental measure rests on the following:

- It will be a core strategy in meeting challenging carbon targets. Energy efficiency can help deliver important energy security benefits by reducing demand for imported energy, reducing reliance on major new infrastructure projects like new power stations and help reduce our carbon dioxide emissions.
- It is also the most important strategy for addressing fuel poverty by providing a one-off capital investment to stimulate an ongoing reduction in bills and increase in welfare. Measures such as insulating homes also disproportionately benefit the poorest - an objective that Gordon Brown has long championed both globally and in the UK.

Policy Recommendations

Given the potential for effective fiscal stimulus based on investments with good pay back, and the benefits for climate change, energy security and fuel poverty, there is a strong case for demanding an *optimal energy efficiency strategy*.

In order to implement this, the Prime Minister should commission a rapid cross-government study outlining a much bolder energy efficiency strategy, with a strong steer towards high ambition and global leadership. Action to implement this strategy should be immediate and form part of an urgent, huge fiscal package to stimulate the economy. This strategy should be comprehensive and cover all available instruments targetting spending, regulation, fiscal incentives, subsidies and tax breaks, energy market reform, information and labelling, local authority powers and duties, institutions and agencies, procurement etc.

Therefore, Greenpeace is calling on the Government to:

1. **Build the skills and capacity in the energy efficiency sector.** A large energy efficiency programme requires skilled builders, fitters and joiners; a cadre of energy auditors and managers; and high level of awareness amongst architects and engineers. It also requires a well-resourced building inspectorate and determination to prioritise energy efficiency in approving planning applications and building inspection. There are also 'cultural' issues to address in many trades – for whom energy efficiency standards is still something to be 'got around'. To help achieve this, the relevant Sector Skills Councils (*ConstructionSkills* for the construction industry and *SummitSkills* for the building services industry) should: review training and information resources to develop and deliver a skills strategy for low carbon refurbishment. In addition, building trade associations, such as the Federation

⁸ <http://www.energysavingtrust.org.uk/Home-improvements/Home-insulation-glazing/Cavity-wall-insulation>

of Master Builders and National Federation of Builders should be enlisted and funded to raise awareness and skills.

2. **Provide incentives to upgrade energy efficiency.** Incentives may not be required if regulation is used, but may be seen as a 'fair deal' by householders required to upgrade their home with some government support. Initiatives could include the waiving of stamp duty or rebates on Council Tax for any household upgrading between energy performance levels, and providing mortgage interest tax relief for green mortgages or loans. Different levels of rebate could be offered depending on how by many Standard Assessment Procedure⁹ (SAP) points the performance improves.
3. **Tackle fuel poverty with energy efficiency.** Address fuel poverty in five million homes by 2016, using primarily energy efficiency measures. Eliminating fuel poverty by 2016 is a legal obligation and needs a 'just do it' approach to be initiated with no further delay. It will pay handsome dividends in welfare and wellbeing of the poor and vulnerable – and as each household's bills are reduced, they will acquire higher spending power and add to a demand stimulus. One such step could be to redesign the winter fuel payment to promote sustainable investment. The Winter Fuel Payment currently far exceeds direct spending on energy efficiency and acts like a basic state pension enhancement which is paid to all pensioner households regardless of wealth, income or the state of their housing. While direct payments to the poorest households should be maintained until their bills have been cut to levels they can afford, in the majority of cases the money would be better used to promote welfare generating sustainable investment and as a consequence of insulation and reduced fuel bills be able to redirect this £2.7 billion annual payment on improving housing stock, eliminating fuel poverty.
4. **Upgrade the public estate and stimulate an Energy Service Companies (ESCO) business model.** The government should use its control over the public sector estate to upgrade the energy efficiency of the building stock. This should be done with the intention of stimulating private sector contract energy management companies (sometimes known as energy services companies or ESCOs). For the public sector, this would be an example of an active procurement policy that achieved environmental targets and reduced costs. The government's buying power – especially if extended to the wider public estate including the NHS, schools, prisons, Job Centres etc is very strong and may be sufficient to create new alliances or investment in ESCOs within energy companies. Amongst utilities it would create bodies ready to participate effectively in the 'Supplier Obligation'.
5. **Set up a Home Energy "MOT".** Just as cars are required to meet roadworthiness standards through an MOT, a similar approach should be adopted for housing – the poorest energy standards (F,G) are not 'roadworthy'. There is a need to drive refurbishment in the existing stock

⁹ <http://www.sapratings.com/home.html>

towards energy ratings A, B and C. If the Government announced a future minimum standard for refurbishment, this would act as a catalyst for creating a market for labour intensive services and thus massive job creation. In addition, this should actually *improve the property value* as investments made will be highly cost effective, and the value of future energy savings should, at least theoretically, be recapitalised back into the value of the property and in many cases will exceed the cost of the outlay during the buildings lifetime.

6. **VAT reform.** There is currently confusion around the VAT difference between refurbishment and new buildings, encouraging developers to demolish and rebuild rather than refurbish. A deep VAT cut to the minimum level allowed for labour-intensive services, including domestic refurbishment, would provide a step towards parity with the rate for new build.
7. **The government should meet its own commitments on low or zero carbon homes and push the building regulations towards the highest levels of the Code for Sustainable Homes.**