

Green New Deal Paper for oral briefing to Social Development Committee, 10 Nov 2011

The Green New Deal (GND) is a cross sectoral initiative comprising over 40 organisations and individuals and led by CBI, ICTU, Institute of Directors, NICVA, Ulster Farmers Union, Bryson Group, Energy Saving Trust, Friends of the Earth and the NI Housing Executive.

BACKGROUND

In November 2010 the Green New Deal Group published a business plan demonstrating how 100,000 homes could be retrofitted over three years at a total cost of £253 million which could be achieved through the provision of grant support of £72 million from Government.

Subsequently the Northern Ireland Executive agreed 'in principle' to commit £4 million per annum to the Green New Deal for three years from April 2012 and established an inter-departmental working group (led by DSD and comprising DETI, DFP and DARD). The GND Group submitted its final business proposal on 14th October 2011.

SUMMARY OF GREEN NEW DEAL PROPOSALS FOR HOUSING (OCTOBER 2011)

Business proposal: 52,500 homes will be retrofitted over three years from April 2012 with the assistance of £12 million in grant support alongside pay-as-you-save loans enabling a total investment in energy saving measures of over £80 million.

The offer to householders: The Green New Deal will offer a 'one-stop-shop' service for owner-occupied households comprising free energy assessment; installation of measures; grant assistance; loan finance; inspection and after sales service.

Pay-As-You-Save is central to the proposal. Instead of paying for energy investments in their homes up-front, householders will be able to use the savings they make on their energy bills to repay a loan over a number of years. Usually they will see an immediate saving on their annual energy bill as well.

A mutual company: Established as a mutual company for customer benefit, the role of the Green New Deal Trust will be to assemble the necessary finance and outsource its application and administration to experienced partner organisations.

District Councils: Northern Ireland's councils have a new power to promote energy efficiency in domestic housing under Section 23 of the Housing (Amendment) Act (Northern Ireland) 2011. District councils will be invited to propose neighbourhoods for Green New Deal projects and to form partnerships with Green New Deal 'Providers' selected through a procurement process.

Finance: The Green New Deal Trust will raise loans of £33 million to finance total lending to households of £45 million. Raising £33 million in unsecured borrowing is particularly challenging in the current economic climate. The Green New Deal Group and its financial advisors have constructed a package which matches commercial bank loans with finance provided by district councils.

Scale: The Green New Deal proposals are at a much more modest scale than originally proposed and will be of little lasting value unless there is a Government commitment to progressively retrofit at least 500,000 homes. A rate of at least 60,000 homes a year is needed rather than 17,000 under the current proposals constrained as they are by the limited contribution from Government.

Benefits: Even at this modest scale, however, the benefits are not insignificant and include:

- An average household annual energy saving of 6,700 kWh worth over £350.
- £440 million in lifetime savings to the Northern Ireland economy.
- By year 3 between 750 and 1100 jobs will be sustained.
- An annual reduction in carbon emissions of 2 tonnes of CO₂e per household.
- A ratio of public expenditure to private investment of 1:7.
- Alleviation and prevention of fuel poverty in at least 25,000 homes.

FUEL POVERTY

The Green New Deal will impact on fuel poverty and health in four ways:

- higher indoor temperatures and therefore better health and well-being;
- a smaller proportion of household income spent on energy;
- the switch from solid fuel to cleaner sources of heating can have significant health impacts on whole communities when it is done at an areas-based level;
- employment created will remove many households from fuel poverty by virtue of income gains.

The Green New Deal will not tackle all fuel poverty in the owner-occupied sector, however. Pay-as-you-save loans will often not be suitable for households in severe fuel poverty if a very high proportion of energy savings are taken in improved comfort.

The area-based approach: A unique feature of the Green New Deal is that it will take an area-based 'street by street' approach which will enable it to reach all fuel poor households and refer those that are eligible to Warm Homes and appropriate NISEP schemes.

This means, however, that different homes in the same street will be treated by a number of different providers: Warm Homes, Housing Executive, NISEP (several providers) and Green New Deal.

Effective and efficient delivery: The solution is to integrate all programmes under the umbrella of the Green New Deal and to deliver via a single provider in any one area. This integrated area-based method will enable a systematic approach to both fuel poverty and general energy efficiency with households benefiting from the efficiency and economies of scale achieved.

NEXT STEPS

Considerable uncertainty has surrounded the future of the Green New Deal since DSD and DETI Ministers indicated their intention to examine alternative uses of the £12 million allocated in the budget.

DETI is currently exploring the potential of funding energy efficiency through an energy supplier obligation perhaps complemented by the 'Green Deal' model in development in England, Wales and Scotland. While a supplier obligation may prove to be a helpful way forward in the longer term, it should not be a distraction from the urgent need to commence domestic energy retrofit at scale across Northern Ireland.

While the GND Group understands the need for economic appraisal of its proposals including assessment of other options, this will take some time. A policy decision is now needed from Ministers that the Green New Deal is their preferred way forward. In the absence of such a commitment, promising negotiations with banks and councils are very difficult to progress.

Finally, Green New Deal work has been resourced by contributions from members, a modest sum from DSD and a good deal of *pro bono* work. In contrast, between 50 and 60 staff at DECC have been working on the Green Deal. Work cannot continue without funding either from the Department or from the savings made from DFP's Energy Efficiency Homes Scheme and promised to the Green New Deal by the Finance Minister.

If Northern Ireland is serious about the Green New Deal for housing, Government needs to make a long term commitment now and all relevant Departments need to get behind it, allocate resources and work in genuine partnership with the Green New Deal Group.

4th November 2011