NORTHERN IRELAND GREEN NEW DEAL GROUP

The Green New Deal and the Programme for Government

January 2012

DRAFT RESPONSE

Green New Deal absent from draft Programme for Government despite cross party support:

The Green New Deal is an ambitious investment programme which will leverage in significant amounts of private sector funding to deliver energy efficiency measures, and create several thousand jobs over a three year period. This scheme aims to reduce waste, cut bills for participating households, sustain employment through the recession and modernise our housing stock. In light of this the Executive has agreed in principle to engage and resources have been set aside accordingly. **NI Budget 2011-15**

DUP Ministers will...Commence a Province-wide retrofit programme providing a range of energy efficiency measures thereby creating jobs, combating fuel poverty, reducing carbon emissions and cutting domestic energy bills. **DUP** Manifesto 2011.

Implement the 'Green New Deal' proposals, with the potential to create thousands of green collar jobs...Provide adequate resources for the Green New Deal. **Sinn Féin** Manifesto 2011.

The Ulster Unionist Party is committed to the Green New Deal and we want to see Northern Ireland becoming less dependent on imported fossil fuels. **UUP** proposals for 2011-15 PfG.

Implementing the Green New Deal: The SDLP is absolutely committed to this sustainability and job creation plan. **SDLP** Manifesto 2011.

Alliance will support and fund the Green New Deal Group housing proposal. **Alliance Party** Manifesto 2011.

The Green Party is fully committed to delivering the Green New Deal insulation scheme. **Green Party** Manifesto 2011.

The Green New Deal is a cross sectoral initiative led by:
CBI, ICTU, Institute of Directors, NICVA, Ulster Farmers Union, Bryson Group, Energy Saving Trust, Friends of the Earth, NI Housing Executive

Summary

Despite the allocation of £12m to the Green New Deal from April 2012 in Budget 2011-15, the Green New Deal is not mentioned in the draft Programme for Government.

Considerable uncertainty has surrounded the future of the Green New Deal since DSD and DETI Ministers indicated their intention in June 2011 to examine alternative uses of the £12 million allocated in the budget.

The Green New Deal Group submitted a business proposal to Government in October 2011 (see annex) at the request of DSD and this is currently being subjected to economic appraisal. The Department is judging it against other options for the use of the £12 million allocated, such as an energy advice service or an extension to the Warm Homes budget.

There is a danger that the nature of the appraisal process will weigh against the innovative features of Green New Deal finance and in favour of other strictly conventional approaches.

£12 million spent by Government on the Green New Deal will:

- Ensure a total investment of over **£80 million** in domestic energy retrofit
- Save over 50,000 households an average of **£350 on energy bills**
- Alleviate and prevent **fuel poverty** in over 25,000 homes
- Sustain up to **1100 jobs** in the construction industry
- **Cut carbon dioxide** emissions by 2 tonnes per household per annum
- Return **£440 million** in lifetime savings to the Northern Ireland economy

This represents excellent value for money and would be a modest but significant step towards cutting energy consumption and tackling fuel poverty – issues that the Programme for Government contains little in the way of concrete proposals to address.

The *Green Deal* has been launched for consultation in England, Scotland and Wales – the result of nearly 3 years work by DECC. Northern Ireland is in danger of being left far behind.

All parties in the Executive have supported the Green New Deal in manifestos or elsewhere. These commitments can now be translated into action through a policy decision by Ministers that the Green New Deal is their preferred way forward and by providing resources to enable the scheme to progress to the next stage.

Economic Appraisal

There is a danger that in comparing the relatively complex and innovative Green New Deal with other more traditional approaches using conventional economic appraisal methods, Government will be in danger of stifling precisely the kind of innovation that is needed to tackle the inter-related challenges of energy efficiency, fuel poverty, carbon emissions and job creation.

The development of the Green Deal in England, Wales and Scotland has involved a team of between 50 and 60 civil servants over nearly three years. In contrast the Green New Deal in Northern Ireland has been resourced by contributions from group members, a very modest sum from DSD and a great deal of *pro bono* work.

Given the very limited resources available, it has not been feasible to produce a 'green book' business case; work remains to be done on securing funding from the Green Investment Bank and putting in place mechanisms for absorbing the risk associated with loan default by customers.

Accordingly the Green New Deal Group is asking Ministers to use the economic appraisal process to identify any outstanding issues in the proposal and to allocate resources to resolving those issues. Such resources were announced by the Minister for Finance and Personnel in March 2011.[1]

ENERGY SUPPLIER OBLIGATION

DETI is currently exploring the potential of funding energy efficiency through a 'supplier obligation' – a requirement for energy suppliers to cut energy use in households through energy efficiency schemes. Such a scheme exists in GB and is being expanded as part of the Green Deal. In addition to the £200 million cost to Government, the scheme is funded through a 'levy' on the average household energy bill of approximately £70.

While such a supplier obligation may prove to be a helpful way forward for Northern Ireland in the longer term, placing such a burden on all households is likely to be controversial and will require legislation. It is also problematic in that for a supplier obligation to work in Northern Ireland, regulation of oil suppliers will be required. Thus any such scheme is likely to involve considerable negotiation and consultation and is unlikely to be ready for implementation for up to three years from now.

In the meantime a supplier obligation should not be a distraction from the urgent need to commence domestic energy retrofit at scale across Northern Ireland for which the Green New Deal is the only option on the table.

GREEN NEW DEAL MYTHS

Myth 1: *The Green New Deal mutual company will be an unnecessary layer of bureaucracy.*
The Green New Deal achieves its impressive leverage of public to private investment through commercial loans. The scheme must be independent of Government in order to keep these loans off the public sector balance sheet.

Myth 2: *The Green New Deal has high overheads.*
Overheads attributed to the mutual company will be 1.5% of the total spend. The main overhead is that paid to providers who will deliver the scheme – no different from management fees currently paid to Warm Homes providers, for example. Government's £12m investment will be distributed in grant support to households.

Myth 3: *The 'Green Deal' model in England, Scotland and Wales, based on an Energy Company Obligation, will be delivered at no cost to Government.*
The UK Government has now allocated £200m in incentives to the Green Deal and costs will be passed through to household energy bills – about £70 a year.

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[1] *"I want to make it clear that the savings associated with the schemes will not be taken out of the Budget altogether but will be transferred to the green new deal project."* Minister for Finance and Personnel on use of savings from withdrawal of energy efficiency rates rebates, NI Assembly, 15 March 2011.

THE GREEN NEW DEAL AND 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.

CONCLUSION

While the information currently available to the Executive is unlikely to be sufficient for them to confirm the commitment of £12 million from April 2012, a policy decision is now needed that the Green New Deal is their preferred way forward. This will enable the Minister for Finance and Personnel to release the funding he allocated to the Green New Deal for the current financial year and for negotiations to take place in earnest with financial institutions and district councils.

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ANNEX: 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 (including the power to make grants and loans) 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 based on loans from commercial banks and the Green Investment Bank.

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 CO_2e 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.