

Great expectations run ahead of the reality

The Government trumpeted the Green Deal as its energy policy flagship. But some quiet backtracking is eroding companies' confidence to invest

There was no doubting the initial ambition of the Green Deal. "We are launching a revolution in energy efficiency," said Chris Huhne, then Secretary of State for Energy and Climate Change, introducing the enabling legislation in 2010. "A once-in-a-lifetime refit of our outdated homes to make them fit for 2050."

It is the Coalition's energy policy flagship, itself regularly billed by his successor, Edward Davey, as his "number one policy priority." His ministerial colleague, Greg Barker, adds that the majority of homes – some 14m – must be reached within the decade.

But lately there have been some really worrying signs that these ambitions are being seriously tempered. Initially subtly, increasingly overtly, the signals are being sent about lowering expectations regarding actual results.

By doing so, the Government is effectively setting a vicious circle to work, weakening the confidence of established companies, reducing the willingness of new players to invest.

Transition period

Initially, the problem was about the transition period alone. As various existing government schemes conclude next month, government economists kept warning that Green Deal would have a "soft start" which would reduce the marketplace for established measures. Like insulation.

The official Impact Assessment reckons that next year installations of loft and cavity wall insulation could drop by 75 per cent and 57 per cent respectively. However, it is more likely that delays to making Green Deal finance widely available will result in drops of 92 per cent and 68 per cent. Even though solid wall insulation activity may remain stable compared to this year, this will lead to enormous job losses – up to 16,000 in 2013 alone.

Such Government-led official pessimism has an insidious effect. Insulation distributors, noting the anticipated market decline, become loath to supply even long-standing

customer-installers, for fear that these won't find the customers prepared to install the insulation. And so the distributor won't get paid.

If the distributor is part of a larger plc, its managers will be unwilling to take that risk, knowing that if the debt does go bad, the main board finance director will castigate the managers all the more for ignoring that official Government warning of impending market crisis.

A curious fatalism has crept over decision makers. Okay, Green Deal may start slowly. But by 2020 it will be roaring away. A marketplace now worth £2bn a year would leap to £7bn, Mr. Huhne promised.

That £7bn figure is now appearing in forecasts that public companies place before their shareholders. For instance, this autumn Kingfisher plc owner of B & Q and National Energy Services – made presentations to a range of City analysts, emphasising precisely that potential. These were reported at length in the Financial Times. Their share price rose. Greg Barker even sent a "tweet" of congratulations.

But days later Edward Davey made his keynote energy policy speech to CBI members. In it, he describes the Green Deal exuberantly as "a programme that will run not for years but for decades, and should establish a vibrant new market in energy efficiency." But also 'one that could attract over £10bn of new energy efficiency investment in the residential and business sectors over the next decade.'

Consequently within hours I was contacted by two of Europe's very largest construction groups – both putatively big Green Deal players – asking: is this £10bn a mistake? Shouldn't that be an annual, rather than a cumulative, figure?

In other words, the present Secretary of State is now projecting a marketplace worth an average of just £1bn a year. Not the £7bn per year that a year ago his predecessor envisaged. Just half the size of the existing market.

Even in carbon terms, the



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FURTHER INFORMATION
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anticipated 2020 impact is declining swiftly. In 2011 the Government was stating that in 2020 the Green Deal and related measures would save 2.2m tonnes of carbon dioxide emissions from burning gas and other heating fuels (MtCO₂). This year the projection has reduced by a whopping 70 per cent, to just 0.7 MtCO₂. No explanation offered.

New advisory forum

In autumn 2010, Greg Barker invited me to chair a new advisory forum reporting to him, made up of some 23 mostly private sector stakeholders. He nominated buildings-related professional bodies, landlords' and tenants' interests, local government and energy supply associations, environmental and housing organisations to serve with me.

Our title is the Green Deal Maximisation Forum. The formal briefing paper, sent to all members with their invitation to participate, stated that "the Green Deal is an ambitious programme to increase the energy efficiency of UK building stock. In particular, we expect it to contribute to a 29 per cent reduction in carbon emissions from our homes."

But this October a press release was placed on the DECC website, celebrating the formal launch of the Green Deal. This enunciated the following ambition: "The Green Deal could see British homes and businesses save enough energy to power 1m homes in 2020."

Big deal! This capitulation can be calculated to be less than a tenth of the ambition which justified the formation of our advisory Forum in 2010. It is now so diminished as to beg the question as to whether the Green Deal can remain worthy of all the time and effort which Forum members still intended giving.

It is a question that inevitably many others are now raising. If you sought an exercise in the bad management of expectations, we have a textbook example before us. ●