



Spending Review and Autumn Statement

Key Government statements from the Spending Review 2015

Energy Efficiency and Fuel Poverty

Summary

To help ensure that households at risk of fuel poverty can afford to heat their homes the Government will extend the Warm Home Discount to 2020-21 at current levels of £320 million a year, rising with inflation.

The Government will provide £295 million over 5 years to improve the energy efficiency of schools, hospitals and other public sector buildings.

The Government will implement a domestic energy efficiency supplier obligation for 5 years from April 2017, with a value of £640 million per year, rising with inflation (CPI). This is a 20 percent fall compared to the previous compared to the ECO changes which had been announced in 2013's Autumn Statement.

As well as higher wages and pensions, and lower taxes, the Government is implementing a package of measures to reduce the projected cost of green policies on the average annual household energy bill by £30 from 2017. The bulk of these savings will come from reforms to the current Energy Company Obligation (ECO) scheme.

This will be replaced from April 2017 with a new cheaper domestic energy efficiency supplier obligation which will run for 5 years. The new scheme will upgrade the energy efficiency of over 200,000 homes per year, saving those homes up to £300 off their annual energy bill, tackling the root cause of fuel poverty and delivering on the Government's commitment to help 1 million more homes this Parliament.

It is of note that the Government is targeting building 400,000 houses across the next Parliament, which will have to conform with energy efficiency standards as detailed in the Building Regulations part L.

VAT reduced rate for energy saving materials – The government will consult on legislation for Finance Bill 2016 to ensure the reduced rate of VAT on energy saving materials is maintained in line with EU law. (Finance Bill 2016)





Summary

The Government will provide an exemption for Energy Intensive Industries, including the steel industry, from the policy costs of the Renewables Obligation and Feed-in Tariffs, to ensure that they have long-term certainty and remain competitive.

Moving from cash compensation to an exemption from the costs of renewables levies will save £410 million a year by 2019-20 while providing greater certainty to EIIIs, including the steel industry. At the same time the Government will take offsetting action to mitigate the impact on household energy bills.

The Government has consulted on changes to the Renewables Obligation and Feed in Tariffs schemes and will shortly publish a response to the consultations, detailing how to implement cost control on these schemes. If the proposals are implemented, this will save the average household around £6 and the average small business user £500 on their energy bills in 2020-21.

To ensure the tax-advantaged venture capital schemes continue to provide effective and sustainable support to small and growing businesses, the government will amend the eligibility criteria of the schemes to exclude all energy generation activities.

Summary

The Government will increase funding for the Renewable Heat Incentive to £1.15 billion in 2021 to ensure that the UK continues to make progress towards its climate goals while reforming the scheme to improve value for money, delivering savings of almost £700 million by 2020-21.

By the end of the Parliament the Government expects to have incentivised enough additional renewable heat to warm the equivalent of over 500,000 homes.

Separately, over £300 million of funding for up to 200 heat networks will generate enough heat to support the equivalent of over 400,000 homes and leverage up to £2 billion of private capital investment.

Spending Review Impact on average household energy bills					
Policy	2016-17	2017-18	2018-19	2019-20	2020-21
New domestic energy efficiency supplier obligation	-	-32	-33	-33	-34
Proposed reforms to the RO and FiTs	-	-2	-4	-5	-6
Energy Intensive Industry exemption from the cost of ROs and FiTs	-	+5	+5	+5	+5
Total Bill impact (annually)	-	-30			
Source: DECC Analysis					