





Budget 2009


The Green Summary



Overall, more green steps forward than backward. But these steps are somewhat tentative.

Suggestion	Outcome	Comment	Verdict
Payment of £2000 for individuals to scrap their car and purchase a new one.	As widely predicted, the "scrappage" scheme has been introduced for cars 10 years old or older. There are no limitations on the type of replacement car to be acquired.	This scheme may well end up having a negative environmental impact, particularly given that there is no incentive to acquire environmentally friendly replacement vehicles.	X
Establish a green investment bank and raise money for green initiatives through the issue of Treasury backed green bonds	This has not been established.	An unlikely proposal in the current economic climate.	X
Proceed with planned increase of air passenger duty.	Air passenger duty will be increased as planned.	Despite some lobbying in recent weeks to postpone this measure, the government will proceed with these increases. This is expected to lead to a significant increase in the cost of medium to long distance air travel.	✓
Extend reduced rates of VAT of 5% to all DIY energy efficient refurbishments or restorations and expenditure on energy saving building materials.	VAT rates have not been changed.	A disappointment. This is a continuing disincentive to retro-fit with energy efficient materials.	X
Expand the scope of enhanced capital allowances for expenditure on environmental plant and machinery.	The list of technologies qualifying for these allowances is to be updated.	The government has added some technologies to the list, whilst removing those which it considers no longer meet the requisite standards. The impression is that this is neutral.	=

<p>Provide grants and/or interest free loans to homeowners to ensure all homes are energy efficient by 2020</p>	<p>The government has resisted calls to introduce a national scheme to improve the energy efficiency of all homes. Instead, two targeted initiatives have been announced:</p> <p>(i) an additional £100 million will be available to help insulate social sector homes; and</p> <p>(ii) an additional £100 million will be available to fund the construction of energy efficient homes.</p>	<p>The government has missed an opportunity to provide a coherent strategy for making homes energy efficient.</p>	
<p>Provide grants to business to improve energy efficiency</p>	<p>The government has announced two new initiatives aimed at businesses:</p> <p>(i) £100 million in loans to small and medium size businesses to take energy efficiency measures; and</p> <p>(ii) £65 million for loans to install energy efficient measures in public buildings.</p>	<p>This should offer some (limited) support for small business in particular to reduce energy bills.</p>	
<p>Increases in "green" taxes.</p>	<p>Landfill tax is to be increased by £8 to £48 per tonne, and the government has announced plans to consult on the reform of this tax to ensure it meets its goal of reducing waste.</p> <p>Aggregates levy will remain frozen.</p>	<p>The government has made it clear that landfill tax is at the "cornerstone" of how it plans to keep waste under control.</p>	
<p>The introduction of a "greenhouse gas" budget</p>	<p>This has been introduced, with a target reduction of 34% in greenhouse emissions by 2020 from 1990 levels.</p>	<p>A fixed target allows for some certainty as to what needs to be achieved. The measures in the budget go some way to achieve this, but the cuts in emissions required to meet this target will almost certainly require further green incentives in the future. Somehow the targets never seem to be now.</p>	

<p>Increase investment in renewable energy and "green collar" jobs</p>	<p>The government has announced several new initiatives in this area today:</p> <ul style="list-style-type: none"> (i) an estimated £525 million of additional funding for wind farm projects; (ii) £4 billion of additional capital funding for renewable projects from the European Investment Bank; (iii) £405 million of funding to help develop the low carbon technology and advanced green manufacturing sector; (iv) £90 million in funds to help companies undertake carbon capture and storage ("CCS") studies; (v) the establishment of a mechanism to help deliver up to four CCS demonstration projects; (vi) the extension of the exemption from the climate change levy for electricity produced by combined heat and power plants; and (vii) a £45 million scheme to encourage investment in small scale renewable energy and heat technologies. 	<p>It remains to be seen whether the government has gone far enough in giving the green sector the boost it needs to make the UK the "world leader" in green technology, which the government claims it will be.</p>	
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<p>Increase investment in establishing a low carbon transport system</p>	<p>The government is going ahead with plans to:</p> <ul style="list-style-type: none"> (i) improve infrastructure for recharging hybrid and electric cars; and (ii) subsidise the initial cost of hybrid and electric cars. <p>The government is also looking to reduce vehicle emissions (and raise public finances) as follows:</p> <ul style="list-style-type: none"> (i) fuel duty will be increased by 2p a litre from 1 September 2009 and 1p a litre above inflation every year after that; (ii) the announced reforms to vehicle excise duty ("VED"), to encourage low CO2 emitting cars will be introduced (although VED for lorries has been frozen); and (iii) the CO2 thresholds for Company Car Tax are to be lowered, to encourage businesses to invest in greener cars. 	<p>The details of the hybrid/electric car scheme, which has questionable green credentials, still need to be worked out with the automotive industry. These will not come into effect until 2011 in any event.</p> <p>The proposed increase in fuel duty looks to be a significant revenue raising measure for the government. It might lead to a reduction in greenhouse gas emissions.</p> <p>But fuel duty is only one cost. The government's decision to freeze the vehicle excise duty for lorries might, perhaps, be intended to placate the haulage industry.</p>	<p style="text-align: center;">=</p> <p style="text-align: center;">=</p>
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The information contained in this update is intended as a general review of the subjects featured and detailed specialist advice should always be taken before taking or refraining from taking any action.