



**HM Treasury**

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CC: the Rt Hon Alok Sharma MP, President for COP26; the Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy; the Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities; and the Rt Hon Greg Hands MP, Minister of State for Business, Energy and Clean Growth,

14<sup>th</sup> October 2021

Dear the Rt Hon Rishi Sunak MP, Chancellor of the Exchequer,

**Re: Measures to support the transition to net-zero, deliver new jobs and investment and protect consumers from volatile energy prices**

We welcome the Government's ongoing efforts to boost the renewable energy and clean technology industry and appreciate the progress that has been made over the past year with respect to achieving Net-Zero. We look forward to COP26 where we hope that further, substantial progress can be made.

However, the recent gas crisis has offered a sharp reminder of the severe impact that will occur if the UK's energy transition moves without the pace or substance required. There has been a large impact on supply chains and businesses, and we are incredibly concerned about rising energy bills after this period of immense difficulty for many.

We write to you today, urging you to take immediate action. It is our belief that one of the best ways to protect consumers from volatile energy prices, is to give them the ability to install renewable energy and clean technology systems in their own homes. By reducing the dependency on gas and other fossil fuels, consumers should see their energy bills stabilise, as well as being able to contribute to the decarbonisation of the UK's energy system.



However, unless steps are taken to increase the affordability of a number of technologies, the aspiration to install domestic zero-carbon energy systems will remain out of reach for many.

As you may recall, we wrote to you in December of last year, urging you to level the VAT on the installation of home energy-saving materials, including energy storage, on par with that of fuel supplies of coal and oil and gas for heat (all taxed at 5%). Given that this 20% VAT rate was imposed due to a European Union ruling, it is disappointing that this rise has not been reversed since the UK's exit from the EU. Unfortunately, the combination of an increase in VAT rates and the economic repercussions from the pandemic has had a substantial, negative effect on the installation of domestic renewables and clean technologies. In order to deploy renewable energy at scale and keep costs of electrification and network reinforcement down, energy storage must play a central role.

If the Government wants to future proof energy bills, stimulate the green economy and help deliver on the UK's commitments, then we believe that BEIS and HMT must:

1. **Extend the number of renewable energy and clean technologies classified as ESMs.** The ESM must now include all domestic renewable energy systems and clean technologies, including solar PV, heat pumps, biomass boilers, solar thermal, thermal storage, heat batteries, electric battery storage and domestic EV chargers.
2. **Reduce the VAT rates for ESMs to 0%.** This would not need to be a permanent measure, but a temporary reduction to aid the competitiveness of renewable and clean tech pricing in contrast with fossil fuels. We believe that with this finite support, the cost of these technologies will rapidly reduce over the coming years.

As mentioned previously, home energy storage has never received direct support through an incentive scheme. Classifying it as an Energy Savings Material (ESM) would enable some customers to pay a lower VAT rate, on a par with some fossil fuel sources. This is already the case for several green technologies, including solar PV, low-carbon heat and insulation.

However, through providing an important case in point, our letter is not exclusively about home energy storage but around the wider support for domestic renewable energy systems and clean technologies. Indeed, many technologies classified as ESM still carry a higher rate of VAT than fossil fuels – this needs to be urgently addressed.

### **Support for low-income households**

It should be noted that, while these measures will provide a much welcome boost to the industry, many technologies will remain out of reach of many low-income households. With the expiration of the Green Homes Grant (GHG) scheme, we are concerned about the lack of help for households who wish to install renewable and clean technology but cannot afford to do so. We are clear that support must be put in place to ensure every



household can benefit from renewables and clean technology. We understand that the forthcoming Clean Heat Grant will play a role in this, but there is an urgent need for clarity around the size of grants and how it will be administered. The industry also needs time to prepare to ensure that this new scheme is a success - it is imperative that the mistakes of the GHG are not repeated.

We welcome the Prime Minister's commitment that the UK's electricity supply will come from renewable sources by 2035. Yet to meet this target, measures like the ones we are proposing here need to be enacted swiftly. Not only will this be another positive step forward in the path to Net Zero, but it will also provide a catalyst in creating new jobs and investment and protecting consumers from volatile energy price rises.

Signed by,

*Dr Nina Skorupska CBE, Chief Executive, **REA***

*Ron Cowley, CEO, **Active Building Centre***

*Howard Porter, CEO, **BEAMA***

*Gareth Williams, Managing Director, **Caplor***

*Tanya Sinclair, Director of Policy UK, Ireland & Nordics, **ChargePoint***

*Emma Bridge, Chief Executive, **Community Energy England***

*Siobahn Meikle, Managing Director, UK & Ireland, **Eaton***

*Paul Reeve, Director of CSR, **Electrical Contractors Association (ECA)***

*Philippe Commaret, Managing Director - Customers, **EDF***

*Madeleine Greenhalgh, Policy & Advocacy Manager, **Electricity Storage Network***

*Neil Kermode, Managing Director, **EMEC***

*Keith Bastian, CEO, **Fischer Future Heat***

*Alessio Teoli, Sales & Installation Manager, **FloEnergy***

*Giles Gibbons, Founder, **Good Business***

*Kit Dixon, Regulatory Affairs Manager, **Good Energy***

*Aidan McGeary, Managing Director, **Green Power Systems***

*Benjamin Knott, CEO, **Lightsource Labs***

*David Cowdrey, Director of External Affairs, **MCS***

*Frank Oldfield, Energy Services Manager, **Nissan Motor (GB) Ltd***

*Simon Dowse, Head of Policy & Risk, **Outfox The Market Energy***

*Sam Hollister, Head of Policy and Public Affairs, **OVO Energy***

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REA 



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