

BUDGET 2020

Member briefing



Media reaction

“Rishi Sunak has made a decent start on the green agenda in his first budget. A good win for EIC is the abolition of red diesel subsidies and the ending of this tax relief on pollution is welcome and levels the playing field for low emission innovation in those sectors. The extension of funding for electric vehicle grants and charging infrastructure is also good as is the additional £300m for local authorities struggling with illegal levels of NO₂. The latter needs to be spent effectively to get the Clean Air Zone agenda back on track.

“Carbon capture and storage is vital to meet Net Zero – the Committee on Climate Change envisages one third of current GHG emissions being captured through CCS technology in 2050, so rapid progress in developing CCS clusters is vital. Today’s £800m for CCS is therefore welcome but more may be needed to get the momentum behind CCS given the speed of deployment needed.

“The Budget was less strong on getting our building stock ready for Net Zero. The consultation on a new £100m scheme to support heat pumps and biomass boilers for homes and small firms is unlikely to make the sort of impact we need to start the transition to zero emission buildings.

“Dealing with the impacts of climate change is essential as well as reducing emissions. The increase in spending on flood defence is much needed.”

Sector analysis

Air quality

Red diesel: The government will remove the entitlement to use red diesel from April 2022, except in agriculture, fish farming, rail and for non-commercial heating (including domestic heating). By removing this tax relief on pollution, the government wants businesses to improve the energy efficiency of their vehicles and machinery or look for greener alternatives. The development of these alternatives will be supported by the government more than doubling its investment in the Energy Innovation Programme.

Analysis: Win for EIC. This will help level the playing field for clean technology in areas such as Non-Road Mobile Machinery and Transport Refrigeration Units. We had met with Ministers on this topic and pushed officials over the last couple of years so good to see some action, albeit with a delayed implementation date.

Clean Air Zones: The Budget allocates an additional £304 million to enable local authorities to take immediate steps to reduce nitrogen dioxide emissions. This brings the total amount that government has provided to affected local authorities to £880 million

Analysis: Win for EIC as we had been lobbying for more funding for CAZs. The money also reflects Ministers nervousness about legal challenges where NO₂ levels remain above legal limits, and the problems afflicting CAZ rollout with a number of local authorities struggling to deliver them.

Brownfield

Brownfield prioritized as part of governments commitment to build more affordable homes that the country needs, with £12.2 billion for the Affordable Homes Programme and £400 million for establishing housing on brownfield land through funding for the Mayoral Combined Authorities. The Budget also confirms allocations from the Housing Infrastructure Fund totalling £1.1 billion for nine different areas including Manchester, South Sunderland and South Lancaster. The Budget also indicated that long term planning reform to increase housebuilding rates would be looked at.

Analysis: Win for EIC – we have consistently pushed for more emphasis on and support for brownfield development.

Plastic waste

The Budget set out a new tax for plastic packaging. The Government will introduce a new Plastic Packaging Tax from April 2022 to incentivise the use of recycled plastic in packaging. The Budget sets the rate at £200 per tonne of plastic packaging that contains less than 30% recycled plastic. This will apply to the production and importation of plastic packaging. The government will keep the level of the rate and threshold under review to ensure that the tax remains effective in increasing the use of recycled plastic.

The Government will also extend the scope of the tax to the importation of filled plastic packaging and apply a minimum threshold of 10 tonnes of plastic packaging to ensure the smallest businesses are not disproportionately impacted. The Budget also announces the launch of a further consultation on the detailed design and implementation of the tax, which includes consideration of an exemption for certain types of medical packaging.

An additional £700,000 will establish the Extended Producer Responsibility scheme, designed to encourage producers to make their packaging more recyclable and reduce the amount of unnecessary packaging in their products.

Analysis: This takes forward the policies in the existing Defra Waste and Resources Strategy.

Natural Capital

The Budget announces the Nature for Climate Fund which will invest £640 million in tree planting and peatland restoration in England, increasing the rate of tree planting by over 600% 72 and covering an area greater than Birmingham over the next five years. In addition, the Budget announces the Nature Recovery Network Fund, which will partner with businesses and local communities to protect, restore and support existing habitats and wildlife. The government will also introduce the Natural Environment Impact Fund to help prepare green projects that could be suitable for commercial investment in order to encourage private sector support for environmental restoration.

Furthermore, an additional £220 million will be invested in protecting the Natural Environment in UK overseas territories.

Analysis: Two objectives here. The tree planting and peatland restoration is essential to meet Nat Zero aims and some commentators have cast doubt on whether the funding is enough. Meanwhile the other measures are aimed squarely at enhancing natural capital and supporting markets in biodiversity offsetting etc.

Carbon capture

Carbon Capture and Storage (CCS) – The government will establish CCS in at least two UK sites, one by the mid-2020s, a second by 2030. This will be supported by the creation of a new CCS Infrastructure Fund of at least £800 million, with budgets to be finalised at the CSR.

Analysis: CCS deployment is vital to meet Net Zero. The Committee on Climate Change as estimated that a third of current annual emissions will still exist in 2050 and will need to be captured and stored forever to deliver Net Zero. Between 2005 and 2015 governments looked at spending £1bn on a CCS demonstrator project so not clear if £800m will be sufficient.

Carbon and buildings

Low carbon heat support – The government will consult on introducing a new grant scheme from April 2022 to help households and small businesses invest in heat pumps and biomass boilers, backed by £100 million of new Exchequer funding.

The Renewable Heat Incentive (RHI) – The government will extend the Domestic RHI in Great Britain until 31 March 2022. It will also introduce a new allocation of flexible tariff guarantees to the Non-Domestic RHI in Great

Britain in March 2021, helping to provide investment certainty for the larger and more cost-effective renewable heat projects.

Heat Networks – The Budget confirms £96 million for the final year of the Heat Networks Investment Project, which ends in March 2022. After this, the government will invest a further £270 million in a new Green Heat Networks Scheme, enabling new and existing heat networks to be low carbon and connect to waste heat that would otherwise be released into the atmosphere.

Analysis: Decarbonising heat in buildings is a huge challenge and the measures here were generally viewed as underwhelming. Government is working on a strategy for heat and is likely to announce more ambitious plans later this year.

Electric vehicles

£403 million for the Plug-in Car Grant, extending it to 2022-23. Recognising that the market for other ultra-low emission vehicles is still very small, the government will also provide £129.5 million to extend the Plug-in Grants for vans, taxis and motorcycles to 2022-23. In addition, the Budget announces the exemption of zero emission cars from the Vehicle Excise Duty (VED) 'expensive car supplement' and the publication of a call for evidence on VED, which will include how it can be further used to reduce vehicle emissions. The government is therefore providing £500 million over the next five years to support the rollout of a fast-charging network for electric vehicles, ensuring that drivers will never be further than 30 miles from a rapid charging station.

Analysis: This reflects CCC advice that falling costs of renewable electricity and battery technology means that widespread take up of EVs will actually save the UK economy money. The Fuel Duty freeze remained in place, however.

Energy

The government will also introduce a Green Gas Levy to help fund the use of greener fuels, increase the Climate Change Levy that businesses pay on gas, and reopen and extend the Climate Change Agreement scheme by two years.

Flood defences

Record funding of £5.2 billion for flood defences between 2021 and 2027, offering better protection from flooding for 336,000 homes and non-residential properties. Additional funding of £200 million will help communities most at risk of flooding recover faster in cases where they are affected by flood damage.

Analysis: Probably inevitable after the recent floods and certainly welcome. There is though a debate over whether increased funding should be explicitly based around higher national standards of flood protections (in terms of reducing the annualised lifetime risk of a property flooding).

Environmental Industries Commission

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