



# *A Budgetary Stimulus for Green Collar Jobs*

## **Recommendations for Supporting the UK's Environmental Industry in the 2009 Budget**

*An Environmental Industries Commission Report*

March 2009

### **Executive Summary**

The economic challenges we face are unprecedented. Equally daunting are the pressing environmental challenges facing the planet.

Unless we take urgent action, we face the daunting prospect of a long-deep recession – with rising unemployment and declining output – and an ecological catastrophe that will make a long recession appear like a tea party.

**The Government should focus on tackling these challenges together.**

Not only to create a low carbon economy but one that safeguards all aspects of the environment protection – from improved air quality, to waste minimisation, to brownfield development, to water efficiency. **A clean, clever and competitive UK economy.**

EIC's recent "Green Jobs Growth Strategy" set out a range of policy recommendations that would put the UK at the forefront of this huge opportunity."

**This EIC Budget Report supports the "Green Jobs Growth Strategy" by focussing on the fiscal support mechanisms that the Government should announce in the forthcoming Budget.**

The challenge has already been set.

Barack Obama, for example, recently announced an economic stimulus package that includes over \$100 billion of investment in environmental initiatives.

As Korea, Japan and Germany launch similar "green new deals" to help create jobs and tackle the recession, the UK has only a small window of opportunity if British companies are not to be left behind in the international race to dominate international environmental markets.

EIC is calling for the Budget to include:

- **A £10 billion "Green Jobs Investment Fund"** in the 2009 Budget with:
  - £6 billion for an infrastructure fund to build 50,000 new (low-carbon) social houses (on brownfield sites) in 2009/10 [creating/protecting approx 160,000 jobs]
  - £1.5 billion for extra investment in energy efficiency retrofitting of low-income family homes in 2009/10 [creating approx 145,000 jobs]
  - £1 billion extra investment on energy efficiency retrofitting of schools and hospitals in 2009/10 [creating approx 21,500 jobs]
- **Greater investment in energy efficiency**, including:
  - Introduction of a new Green Building Allowance for buildings

- Urgent improvements to the Enhanced Capital Allowance Scheme
- Increasing the ambition of the Carbon Reduction Commitment
- **Support for brownfield development**, including
  - Ensuring that the extension of the Land Remediation Relief fully supports the redevelopment of brownfield sites
- An **urgent programme of air quality retrofit in the UK's transport fleet**, including:
  - Retrofit of PM and/or NOx abatement technologies
- **Support for far greater resource efficiency in business**, including:
  - A significant increase in the level of funding for business support programmes for resource efficiency
  - Clarity on the future of the landfill tax

### **About EIC**

EIC was launched in 1995 to give the UK's environmental technology and services industry a strong and effective voice with Government.

With over 300 Member companies EIC has grown to be the largest trade association in Europe for the environmental technology and services (ETS) industry. It enjoys the support of leading politicians from all three major parties, as well as industrialists, trade union leaders, environmentalists and academics.

## **1. Introduction**

Since its launch in 1995, the Environmental Industries Commission (EIC) has argued that economic development and environmental protection can – and must - advance together. Our future competitiveness is dependent on the rapid transition to a low carbon, resource efficient economy.

Those economies that gain early mover advantage by developing the green technologies that will guide this transition will soon be in a position to claim a share of what is already a \$3 trillion global market place - and growing rapidly at over 5% a year.

Lord Mandelson, Secretary of State for Business, Enterprise and Regulatory Reform, highlighted in a recent speech that the environmental industry would create a “job revolution that cuts right across all sectors of the economy.” He acknowledged, however, that the worldwide environmental industry would be a “fiercely competitive sector...we will need a smart strategic approach from government”.

A “fiercely competitive sector” that the UK is already falling behind in. For example, the UK’s environmental industry currently exports some £10 billion a year, yet Germany has environmental exports of some £50 billion (in 2006).

The new Low Carbon Industrial Strategy that sets out the Government’s “vision” for how it intends succeed in this “fiercely competitive sector” is, therefore, welcome – and long over due.

However, securing the huge economic benefits of a low carbon, resource efficiency economy will not be achieved through “vision” alone. We urgently need the sorts of industry support policies – such as long-term regulatory targets and coordinated policies on R&D funding, skills and training – that will turn the “vision” into a reality.

Politicians around the world have become increasingly aware that environmental protection yields significant *economic* benefits as well as ecological gains.

A substantial new industry has arisen: the UK’s environmental industry, which has a turnover of £106 billion (2007/8) and employs 800,000 workers.

Europe’s environmental industry boasts 3.4 million jobs – with 1.8 million people employed in Germany’s environmental protection industry alone.

**The global market for environmental solutions is already worth £3,046 billion pa (2007/8).**

One prediction, from Gordon Brown, is that the low-carbon energy sector will employ 25 million people globally by 2050 – “a chance to create thousands of new British businesses and hundreds of thousands of new British jobs”.

But we urgently need actions to follow through on these words of political intent. Or Britain will miss out and allow our international competitors to seize these huge environmental markets.

First mover advantage rules.

It is time for Britain to get serious about ensuring its environmental industry wins the lions share of future global markets.

*This must start with the 2009 Budget, which should include a far-reaching green economic stimulus package embracing the following recommendations.*

## **2. A Green Jobs Investment Fund**

In January 2009, EIC launched a “Green Jobs Growth Strategy” setting out a series of recommendations that would position the UK as a leader in the global market for environmental technologies and services.

**The key recommendation of the Strategy was the urgent implementation of a £10 billion “Green Jobs Investment Fund” with:**

- £6 billion for an infrastructure fund to build 50,000 new (low-carbon) social houses (on brownfield sites) in 2009/10 [creating/protecting in the region of 160,000 jobs]
- £1.5 billion for extra investment in energy efficiency retrofitting of low-income family homes [creating in the region of 145,000 jobs]
- £1 billion of extra investment on energy efficiency retrofitting of schools and hospitals [creating in the region of 21,500 jobs]

## **3. Greater Investment in Energy Efficiency**

The most cost effective way of tackling climate change is through energy efficiency.

And the potential is huge. The Stern Review, for example, identified that energy efficiency has the potential to be the single biggest source of emissions reductions. Furthermore, the EU Energy Efficiency Action Plan estimates that the full potential is a reduction of around 27 per cent of energy use.

Adopting policies that secure this level of energy reduction would also create many thousands of green collar jobs.

EIC welcomes the Government’s commitment to energy efficiency through, inter alia, the Carbon Reduction Commitment, the EU Emissions Trading Scheme, zero carbon homes by 2016, zero carbon non-domestic buildings by 2019 and the proposals in the Heat and Energy Saving Strategy, the extension of the Carbon Emission Reduction Target and the Community Energy Saving Programme.

However, we still need far greater ambition from Government if we are to fulfil the full potential for energy efficiency improvements right across the economy.

**EIC calls on Budget 2009 to:**

- **Improve the Enhanced Capital Allowances scheme by:**
  - a. **Introducing an annual ‘open competition’ for new technologies to be added to the energy technology list**
  - b. **Increasing the values of ECAs to 150 per cent for the most innovative technologies**
- **Introduce a Green Building Allowance on the whole building linked to ratings on the Energy Performance Certificate**
- **Extend the Stamp Duty Exemption to zero carbon non-domestic buildings**
- **Invest in energy efficiency retrofitting of low-income family homes**
- **Incentivise local authorities to reduce Council Tax for households making energy efficiency improvements**
- **Increase the ambition of the Carbon Reduction Commitment**
- **Announce the Government’s intention to hypothecate auctioning revenues in Phase III of the EU Emissions Trading Scheme.**

### **3.1 Improving Enhanced Capital Allowances (ECA)**

EIC is very supportive of the ECA scheme. However, we believe there are limitations in the current operation of the scheme, which reduce its impact in catalysing the take up of innovative technologies.

#### **3.1.1 An annual ‘open competition’ for new technologies**

Under the current ECA scheme a technology must be assessed against specific eligibility criteria before it can qualify for an ECA.

Our experience is there is at least a three-year timescale for assessing a new technology against the appropriate eligibility criteria. It is even more difficult to qualify for an ECA if a technology is new and does not fit into existing testing and certification regimes.

A timescale of this nature represents a significant barrier to innovation.

EIC consider that the Scheme should be all embracing, whereby, rather than restricting the Scheme to pre-defined categories, it is opened up to support the most innovative technologies across the key environmental issues the Government has identified.

**EIC propose, therefore, that qualifying technologies under the ECA Scheme should be determined through an annual ‘competition’ open to all relevant technology providers.**

Under this approach, technology providers would be required to submit their product for it to be scored against a number of criteria, including, for example, carbon savings, water efficiency, waste reduction and the impact an ECA would have.

The highest scoring technologies would then qualify as eligible for an ECA for a certain period of time - prior to review.

EIC believe that ECAs could then be made be available on a sliding scale - with a 150 per cent allowance for highest performing technologies - see below – and those that improve energy efficiency in the areas of largest energy usage. For example, building services account for 75 per cent of carbon dioxide emissions in a building with particular culprits being mechanical ventilation and comfort cooling with 35 per cent of energy usage, and lighting with around 25 per cent.

We do not propose that those technologies already on the list would have to compete on an annual basis to maintain their status. This would add a great deal of uncertainty on building projects spanning many years and uncertainty for suppliers of equipment within those technologies.

The Dutch Government has operated a similar scheme very successfully since 1991.

### **3.1.2 Increase the value of ECAs to 150 per cent for the most innovative technologies**

EIC is concerned that the level of the ECA allowance does not give sufficient incentive to overcome the complexities of the supply chain, particularly in the key area of energy efficiency in buildings.

The current problem is that energy or water saving plant on the lists will either be more expensive to install or cost time and money for consultants to specify, identify and claim. The additional costs erode the overall value, and a 100 per cent first year allowance is merely an acceleration of tax relief that you will currently already get over a period of years.

This problem has increased since the introduction of an Annual Investment Allowance for the first £50,000 of investment in plant and machinery.

**EIC, therefore, proposes the Treasury increase the incentive for the most efficient technologies – and those that target energy efficiency improvements in the areas of largest energy usage - to 150 per cent to provide a real incentive to ensure building owners specify qualifying technologies.**

With an enhanced value over 100 per cent investors would be more keen to obtain this additional allowance as it would be considered a real additional tax saving, rather than merely a cash flow saving.

EIC believe that, by projecting previous trends forward, a 150 per cent this could have the effect of at least doubling the amount of energy and water saving equipment installed.

### **3.2 Introduction of a Green Building Allowance**

EIC believes that a complementary policy to improve ECAs is the **introduction of a ‘Green Building Allowance’ – through the extension of ECAs to cover whole of a building that meets the BREEAM ‘excellent’ rating.**

EIC believes that ECA's for whole buildings built to high standards of carbon and sustainability would complement the requirements of the Energy Performance of Buildings Directive to incentivise companies to move ahead of legislative requirements.

BREEAM is the BRE's Environmental Assessment Method and assesses the environmental standard of a building - including, inter alia, energy use; water use; transport-related carbon dioxide and location-related factors etc. Credits are awarded in each area according to performance. A set of environmental weightings then enables the credits to be added together to produce a single overall score. The building is then rated on a scale of 'pass', 'good', 'very good' or 'excellent,' and a certificate is awarded.

EIC believe that 150 per cent ECAs should be given on those buildings achieving the 'excellent' rating. ECAs could also be made available on a sliding scale so, for example, buildings achieving the 'very good' rating would receive 100 per cent ECA.

EIC propose that this would be available on a straight-line basis over 50 years.

### **3.3 Extending the Stamp Duty Exemption to zero carbon non-domestic buildings**

EIC welcome the stamp duty exemption for new homes that achieve the zero carbon standard before 2016. It is crucial that the definition of "zero carbon" for the purposes of the stamp duty exemption is aligned exactly with the definition of "zero carbon" currently being consulted on by the Department for Communities and Local Government.

**EIC believe that the 2009 Budget should announce that the stamp duty exemption will be extended to all new non-domestic buildings that achieve the zero carbon standard before the Government's stated ambition of 2019.**

### **3.4 Investment in energy efficiency retrofitting of low-income family homes**

EIC broadly support the proposals for a Community Energy Savings Programme (CESP). CESP will be funded by a new and additional obligation on energy suppliers and electricity generators.

EIC believe that this funding should be – at the very least - matched by Government funding focused on energy efficiency retrofitting of low-income family homes.

**The Budget should announce that all low-income homes will be entitled to energy efficient improvements and that the cost of these will be repaid through fuel bills over a certain period of time.**

The annual pay back should be significantly less than the amount saved on the fuel bill to ensure that the household benefits from real savings.

### **3.5 Incentivising local authorities through the Council Tax**

EIC believe that local authorities should incentivise households to make energy efficiency improvements to their home by reducing Council Tax where improvements are made to the home's rating on the Energy Performance Certificate.

The 2009 Budget should encourage this approach by **announcing that central Government funding will be made available to local authorities to make up any shortfall in council tax receipts that may result.**

### **3.6 Increase the ambition of the Carbon Reduction Commitment**

EIC Members' experience is that the opportunities to reduce energy demand are particularly high in large non-energy intensive organisations such as banks, supermarkets, hospitals and large offices. EIC, therefore, welcomes the Carbon Reduction Commitment as an example of the UK taking a lead in reducing emissions from this sector and incentivising UK companies to take a lead in moving to a low carbon economy.

However, we are concerned that the current proposals lack ambition.

The recent Treasury Report 'Moving to a Global Low Carbon Economy: Implementing the Stern Review' concluded that the Carbon Reduction Commitment can be expected to achieve reductions of approximately 1.2 million tonnes of carbon.

The Government has stated that the forecast emissions coverage for the Carbon Reduction Commitment is 14 million tonnes of carbon. A saving of 1.2 million tonnes of carbon by 2020 is, therefore, equivalent to only an 8.6 per cent reduction.

EIC believe that an 8.6 per cent reduction in emissions from sectors covered by the Carbon Reduction Commitment is an insufficient contribution to meeting the Government's target to reduce emission by at least 26 per cent by 2020 as set out in the Climate Change Act.

EIC Members, therefore, urge the Government to **urgently increase the level of contribution that the Carbon Reduction Commitment will make towards meeting the UK's Carbon Budgets. This should reflect the *full* potential for energy efficiency.**

**The Government should also urgently reduce the coverage threshold of the Carbon Reduction Commitment from 6,000 Mwh of electricity use per annum to 1,000 Mwh,** which the Government's own research shows would be cost effective if the social cost of carbon is accounted for.

### **3.7 Hypothecation of auctioning revenues in Phase III of the EU Emissions Trading Scheme**

EIC fully support the recommendation in the agreement on Phase III of the EU Emissions Trading Scheme that Member States use 50 per cent of the auctioning revenues to finance climate change mitigation measures. This supports the overriding purpose of the EU ETS namely to reduce emissions as opposed to generation of additional Government revenue.

Such revenues should be used to support schemes or developments such as energy efficiency programmes which have an impact in terms of emission reduction but would not otherwise fall within the EU ETS. For example, incentives for energy efficiency improvement in the organisations covered by the Carbon Reduction Commitment – this would support the increased ambition of the scheme proposed above.

**EIC calls on the Budget to announce the Government's intention to hypothecate 50 per cent of auctioning revenues – in line with the recent agreement - in Phase III of the EU Emissions Trading Scheme.**

#### **4. Supporting Brownfield Development**

Given the Government's ambitious house building targets and the targets for 60% of housing to be built on brownfield sites it is vital that development of these sites continues to be viable and that we retain the skills to deal with the challenges they bring.

EIC, therefore, urge the Government to introduce specific measures to promote the onsite remediation of contaminated sites that have the potential to be developed once market conditions pick up. **In the absence of such measures there will be a dearth of sites ready for development when the upturn arrives which will prolong the impact of the recession on house building and commercial development.**

The general economic problems currently faced by the sector are compounded by the extra tax burden the Government is imposing through the replacement of Landfill Tax Exemption for contaminated soils with an extension of the Land Remediation Relief to include a broader range of costs on long term derelict sites.

EIC fully support the principle of incentivising a move away from landfill to treatment.

However, we are concerned that what the Government introducing is not a tax neutral measure, as stated in the Pre Budget Report, but will result in a significant net flow of revenue to the Treasury out of the brownfield development sector.

Given the current economic conditions the sector faces this is obviously of great concern.

EIC consulted with 200+ Member companies from the land remediation sector and collectively we were only able to identify one site where the extended Relief is likely to be claimable (a site being developed by Crosby Lend Lease and Sainsburys in Selly Oak, Birmingham).

Since this internal consultation, however, the developer of this site recently pulled out of the development - citing market conditions - despite a forward sale of part of the land to a national retailer. The risk of significant upfront remediation and infrastructure costs, which would be required across the site, was one of the reasons they pulled out.

EIC, therefore, believe that all, of the £40 million extra revenue from the Landfill Tax will flow to the Treasury and not back into development of derelict sites.

The impact of the Relief is also hindered by the inability of developers to claim the relief until the development has been sold. As the benefit is only realised on sale of land it is difficult for developers to take account of the benefit of the Relief in the assessment of commercial viability.

**EIC calls on Budget 2009 to support the redevelopment of brownfield sites through the Land Remediation Relief by:**

- **Allowing developers to claim in year of spend;**

- **Extending the Land Remediation Relief;**
- **Change the definition of long term derelict;**
- **Allow the Landfill Tax Exemption for asbestos; and**
- **Allow the transfer of the Landfill Tax Exemption**

#### **4.1 Allowing developers to claim in year of spend**

With cash flow being of paramount importance there is little prospect of encouraging developers to continue the remediation of sites on the promise of tax relief that might materialise some years later.

We are aware of the potential complexities of allowing developers to claim LRR on qualifying spend in the year it is incurred but we would strongly urge the Treasury to seek ways of overcoming the “complexity” hurdle and to accelerate the rate at which the tax relief benefit is realised.

#### **4.2 Extending the Land Remediation Relief**

The most effective way of that the Government could boost the brownfield development sector and make sure there are clean sites available for rapid development as the economy picks up is to temporarily increase the Land Remediation Relief to 250% for two years (thereby equating to a “subsidy” of 42%).

#### **4.3 Changing the definition of long term derelict**

To address the longer term issue of tax neutrality in the ending of the Landfill Tax Exemption we call on the Government to change the definition of long-term derelict for the purposes of the Land Remediation Relief to sites fulfilling that definition since 2003, not 1998. This will allow the Relief to come into play in a greater number of sites and have more potential for impact.

#### **4.4 Asbestos**

The Government should leave in place the Landfill Tax Exemption for asbestos. This is widely prevalent on contaminated sites and there is no cost effective treatment option for asbestos apart from specialist disposal and no such option on the horizon. The application of the Landfill Tax will, therefore, simply be an additional cost for developers (“a blatant tax on development” as commented by the commercial director of a major development company).

If alternative treatment measures for asbestos are developed in the future the Landfill Tax can then be applied.

#### **4.5 Transfer of the Landfill Tax Exemption**

The developer of the aforementioned site in Selly Oak had secured Landfill Tax Exemption (LFTE) for c. 100,000 tonnes in their own name in anticipation that they would carry out the

works. The LFTE is not transferable so the benefit of the exemption is now lost for good unless the developer reengages (which is highly unlikely) . This means that another developer now has to find £4.8m to cover the cost of taking the untreatable waste to landfill with the likelihood that this will delay further the potential for any development.

**EIC calls on the Government to implement short term measures to allow LFTE notices to be transferred during the period to April 2012 when the Exemption finally expires, a measure that should be relatively easy to implement.**

## **5. Improving the UK's Air Quality**

The government's National Air Quality Strategy concludes that poor air quality is estimated to reduce the life expectancy of every person in the UK by an average of 7-8 months - impacting particularly on children, the elderly and those in poor health. This problem is significantly worse in hotspot problem areas, such as cities.

Road transport is one of the most significant contributors to poor air quality. For example, the recent European Environment Agency report 'Annual European Community Long Range Transboundary Air Pollution Convention Emission Inventory Report 1990 – 2006' concludes that road transport is the most significant source of NOx (39.4 per cent of NOx emissions from all 27 Member States) and the second largest emitter of PM10 (15.9 per cent) and PM2.5.

The UK is currently failing to meet its obligations under both the Ambient Air Quality Directive and the National Emissions Ceilings Directive. Indeed, the European Commission recently started legal proceedings against the UK for failing to meet its obligation to reduction PM10 emissions under the Ambient Air Quality Directive.

Action to improve air quality is, therefore, an urgent priority.

EIC believe that one of the most effective ways to meet the UK's obligations is through targeted programmes focused on cleaning up the most polluting vehicles. These areas will continue to suffer from poor air quality unless measures are implemented at a local level.

EIC welcomed the recent publication of the Defra Local Air Quality Management guidance as an important tool for helping local authorities improve the management of air quality in their areas. However, the guidance provides insufficient support at the national level for local measures programmes targeted at the most polluting vehicles

**EIC believe that the most effective way to provide this support - in way that is complementary to national policy whilst maintaining local autonomy - is through the introduction of a National Framework for Low Emission Zones.**

Such a framework should establish a nationally recognised standard for emissions and vehicle identification – supported by a national certification scheme of retrofit technologies. This would then leave local authorities with the decision on which areas to establish as a 'Low Emission Zone' and what standard of vehicle would be allowed to enter - providing that they operate within the national framework.

Holland and Germany operate similar schemes – supported through national funding - that are very successful. EIC would be pleased to provide further information on these initiatives. A National Framework for Low Emission Zones in the UK should be supported through Government grant funding.

**EIC, therefore, calls on Budget 2009 to:**

- **Include funding for retrofit of PM and/or NO<sub>x</sub> abatement technologies.**
- **Incentivise the early uptake of Euro VI vehicles through the continued use of the Reduced Pollution Certification (RPC) scheme**

### **5.1 Funding for Retrofit**

Barack Obama's American Recovery and Reinvestment Act of 2009 provides US\$300m of funding through the Diesel Emissions Reduction Act to heavy-duty diesel vehicle and equipment owners to retrofit their fleets – at a time when the US Environmental Protection Agency has concluded that retrofitting diesel vehicles is highly cost-effective and generates US\$13 of health benefits for every US\$1 spent.

In Germany, upto €2,000 is available to contribute to the capital costs of a particulate filter. In Holland, funding available on a sliding scale depending on the size of the engine and emission reduction performance of the technology – up to €11,000 is available per vehicle.

**EIC calls on the Government to implement a National Framework for Low Emission Zones supported through Government grant funding.**

This could be focussed initially on London in order to address suspension of Phase III of the London Low Emission Zone on the basis of the financial burden on small business. A further proportion of Government funding should be channeled through local authorities to ensure that their bus and RCV fleets meet Euro IV standards.

### **5.2 Early uptake of Euro VI**

The Reduced Pollution Certification (RPC) scheme offers reduced rates of vehicle excise duty to heavy goods vehicles and public service vehicle operators who take action to reduce the emissions of their vehicles to a certain level – before the corresponding mandatory requirements come into force. Since October 2007, RPCs have been available for lorries and buses that meet Euro V standards before they become mandatory in October 2009. This is similar to the scheme that existed prior to October 2006 for Euro IV vehicles.

The RPC scheme is an excellent example of Government policy helping to commercialise new technologies ahead of regulatory requirements. This helps create a “lead market” for emission reduction technologies, which can be exported across the EU once mandatory standards come into force – helping create many ‘green collar jobs in the UK. The Commission on Environmental Markets and Economic Performance recently highlighted, for example, that “innovations commercialise first in lead markets.”

**EIC believe, therefore, that Budget 2009 should announce the extension of the RPC Scheme from 1 October 2009 for all heavy-duty vehicles that meet the Euro VI levels before they become mandatory.**

## **6. Using Waste as a Resource**

EIC believes that the UK economy needs to make a rapid transition away from a linear process of resource extraction, manufacture, consumption and disposal towards a system where resources remain in use.

There can be no doubt that the opportunities for resource efficiency are huge. There are many examples of UK and international businesses who have profited from reducing waste, as well as helping the environment.

In 2003 a study from the Environment Agency “The Benefits of Greener Business” concluded that £2-£3 billion is lost each year by manufactured industry in wasted natural resources – equivalent to about 7 per cent of total manufacturing industry profit.

Furthermore, there is an extensive policy framework in place to promote sustainable production including legislation, fiscal measures and advice and support.

Yet, despite this, the opportunities for major improvements in resource efficiency have been taken up by relatively few companies. Take up is further threatened by recent budget cuts. The House of Lords Science and Technology Committee recently highlighted in its report ‘Waste Reduction’ that “we are...extremely disappointed by the decision to reduce funding for some of the major business support bodies... and we are at a loss to understand the Government’s reasoning.”

Resource efficiency offers the opportunity for Government to promote greater productivity in business and reduce the burdens on the environment at the same time. It is time for the Government to review and invigorate its policy framework to encourage resource efficiency, and to be an exemplar through its own procurement policies.

### **EIC calls on Budget 2009 to:**

- **Announce long-term, better-resourced business support programmes on resource efficiency.**
- **Further increases to the Landfill Tax**

### **6.1 Long-term, better-resourced business support**

Last year’s Budget allocation for Defra saw a significant reduction in the money available for business support. WRAP’s budget was cut by nearly a third. Envirowise by 55 per cent - from £22 million to £9.4 million. The National Industrial Symbiosis Programme (NISP) budget was cut by 42 per cent.

The Government’s report ‘Building a Low Carbon Economy’ included a commitment to longer-term, better-resourced business support programmes on resource efficiency. In the report the Government highlighted that work is now underway to provide indicative allocations for business support in 2009/10 and 2010/11 as soon as possible.

Much of the previous funding was derived from Landfill Tax revenues, which when introduced were to be revenue-neutral. Despite increasing income through annual increases in landfill tax rate, the transparency of this revenue neutrality has been lost through the revenues now being

absorbed into overall Treasury pot. Hypothecation of a proportion of the landfill tax sent a strong signal to industry that waste must be reduced.

**EIC calls on the 2009 Budget to restore landfill tax revenue neutrality and, at the very least, reverse the funding cuts made in 2008.**

## **6.2 Further Certainty over Increases to the Landfill Tax**

EIC has greatly welcomed recent increases to the landfill tax escalator. The standard rate of landfill tax will now increase by £8 per year until at least 2010/11.

The 2008 Budget announced that the “Government expects the standard rate [of Landfill Tax] to increase beyond 2010-11.”

Any announcements of increases to the Landfill tax must be made well in advance in order to provide the certainty industry needs to adjust.

**EIC call on the 2009 Budget to announce that the Landfill Tax will continue to increase beyond 2010-11 by at least £8 per annum. The Government should also give a clear indication of the level it expects the Landfill Tax to reach.**

## **6.3 Reducing virgin material consumption**

EIC call on the 2009 Budget to introduce incentives that encourage a reduction in virgin material consumption, for example:

1. Reduced VAT for the use of reused materials
2. A Virgin Materials Fee based on the quantity of non-renewable/recyclable materials used.