



Grŵp Trawsbleidiol
ar Ynni Cynaliadwy
Cross Party Group
on Sustainable Energy

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Minutes

Cross Party Group on Sustainable Energy

Presentations by

Richard Murphy, Green New Deal Group

Paul Allen, Centre for Alternative Technology

Tuesday 11 February 2020 @ 12.00pm
Seminar Room 1+2, Pierhead Building

Attendees

Assembly Members

Llyr Gruffydd, AM

Siân Gwenllïan AM

Industry Members

Alexander Phillips

Angharad Davies

Ben Coates

Ben Lewis

Dr Carla De Laurentis

Carolyn Pugsley

David Clubb

Duncan Fisher

Gregory Vaughan Morris

Ioan Bellin

Jeremy Smith

Lia Murphy

Lucy Hoggins

Michael Anderson

Nigel Pugh

Paul Allen

Rhys Wyn Jones

Dr Richard Hall

Rob James

Sara Powell-Davies



Simon John
Simon Morgan
Sion Trewyn
Sioned James

Tony Cooke
Will Ryan
Yasmin Akbari

Welcome: Llyr Gruffydd

- Thank you to everyone for attending this meeting and we look forward to hearing from the contributors about the Green New Deal.

Presentation: Richard Murphy, Green New Deal Group

Richard Murphy extended his apologies for not being at the event in person and delivering his presentation via a video call. His presentation explained what the Green New Deal is, how it could work and how it could be funded.

Presentation: Paul Allen, Centre for Alternative Technology

Paul Allen delivered a presentation on what Zero Carbon Energy is how it is helping tackle climate change and encouraging others to do the same.

Questions and answers

Question: *Gregory Vaughan Morris, ARUP* – Most of what you said aligns with my thinking. Why can't the likes of the Principality set up green ISAs? A lot of the deal rests in costs where there is isn't an easy financial return. For example, if someone invests £40,000 in making their home energy efficient, how does that work in terms of who gets paid back?

Response (RM) Firstly, subsidy is going to be part of it. I don't think every house is going to become energy efficient without some sort of subsidy from the government because I can't see how every boiler is going to be replaced over a decade without one. We have to be realistic and there has to be some form of assessment of households and what they can afford. Secondly, there needs to be some sort of implicit loan arrangement to the house so that any subsidy or loan is to the property rather than the current occupier and would remain with the property even after the house is sold. We're going to have to appraise how returns are measured and the model of the balancing of returns is critical. My costing of £100 billion is based on the idea that either a substantial amount of, or all of the upfront costs, will be by a green investment using bonds with an affordable repayment mechanism put in place with householders to reflect their individual needs. Ideally, the payments would offset what is saved and be cost neutral as well as carbon neutral.

Question: *Gregory Vaughan Morris, ARUP* – There are many opportunities the Welsh Government and local authorities can look at to really help with this.



Response (LG) There was once talk about if a house of a certain energy efficiency went on the market then it would be exempt from Stamp Duty. If it wasn't of a sufficient standard, the new owners would have two years to upgrade the energy efficiency of the house and would get a rebate. There are tools available that aren't being used. There must have been a good reason why this wasn't introduced but there are ways of doing it.

Question: *Paul Allen, Centre for Alternative Technology* – In your analysis, do you see any role for bringing a deal for quantitative easing (QE) in the light of what happened to bail out the banks. Is that part of the solution or is that now off the radar?

Response (RM) I came up with the name Green Quantitative Easing so I do see, but also to an extent I don't. In practice, I don't think the government will necessarily be repurchasing the bonds issued by a national investment bank, which is what, for example, Green QE would imply. If we have a major financial crisis similar to the scale of the one in 2008 we would need to do QE again but if not at that scale I suspect the financial market would want to buy every bond possible that the government could issue to the Green New Deal. There is an enormous appetite for safe saving at the moment and that is what government deficits represent, they are depositories for private savings. The good thing about a government deficit is that it is private money at the other end of the equation. But, people like to know their money is safe. We've had one run on the bank in this country in 175 years now, that was Northern Rock and what the government did to stop that was guarantee the deposits in banks up to £85,000. I call this latent QE, which is using the power of the government's guarantee to deliver the security to savings that will underpin the Green New Deal. We need to recognise that government guarantee is a part of this, but they will probably never have to be used, because the guarantee is in place. Nobody is going to do a runner on government borrowing because they won't need to, because the government has guaranteed it can pay it. The cost of latent QE is quite low. The actual subsidies to pensions and ISAs at the moment together cost £60 billion a year and the Green New Deal is going to cost £100 billion a year.

We can redirect the money that goes into pensions towards constructive investment. Pension money mostly goes into buying share certificates, which are of no inherent value of themselves, or are held in 50 per cent cash deposits, which do nothing for the economy and that's what ISAs do. We're closing a circle by using better regulation and better use of guarantees at relatively low economic cost; the interest element will be higher than what the government pays at present on its borrowing. But the total cost of doing that is just over £1 billion a year which for the government account is not much at all. So it has a role, but we have to take it beyond the conventional.

Question: *Llyr Gruffydd, National Assembly for Wales* – You mentioned you were working on a toolkit for councils – is that something that can be expected soon?

Response (PA) – At the moment it's a chapter in Zero Carbon Britain's Rising with the Times Emergency Report, but it's one of the key tasks for the Zero Carbon Hub to look at as we're getting increasing enquiries about it. What we're finding is if we bring councils together for a south east / south west meeting, yes there's the primary learning outcomes of what we offer, but meeting other councils and sharing is a very important secondary one.



Response (LG) I'm aware councils in Wales are developing climate emergencies and I think I'm right in saying that they rarely come together and share best practice, however the coming together of councils isn't something to discuss for today.

Question: *Gregory Vaughan Morris* – Why can't the Welsh Government say 'we are going to focus on probably the biggest area and easiest quick win'? If the Welsh Government said all new houses had to be of certain specifications, for example proper sized windows, there would be some complaints but there would be progress. Over time, there would be a natural improvement in quality of housing and energy efficiency savings and I see that as a quick win that the Welsh Government could pull off.

Response (PA) My perspective is that we had zero carbon homes on the statute within the UK, and I think there was a lot of lobbying from a lot of the big housing manufacturers who were very influential with government, but I'm not sure what the situation is in Wales?

Response (LG) There was a consultation on Part L regulations and the standards were revised about five or six years ago. The government consulted on 25 per cent or 40 per cent improvement and in the end went for eight per cent, which had already been achieved. But, this time, they said they were going to be more ambitious so there is a consultation like the one that closes in March and I think the proposal is either 37 per cent or 57 per cent. Their preference is 37 per cent but those standards are to be adopted this calendar year and the ambition then is 2025 zero carbon. But, of course, in the meantime, we're locking in energy efficiency, which we need to retrofit in years to come.

Response (PA) The Centre for Alternative Technology (CAT) was commissioned to produce an audio visual training programme for all planners in Wales called 'Planning for Climate Change'. It's getting that basic literacy within all the planners and within the hierarchy of planning networks within Wales, and we would be very happy to redo that for the current climate emergency so that everybody involved in climate and planning doesn't just know how serious it is, but knows the enormous opportunities of making the right choices.

Question: *Nigel Pugh, Woodlands Trust* - In Wales, we're currently seeing local authorities, particularly planning authorities, continually giving planning permission to lose green infrastructure. Obviously it's a vital resource for communities and mitigates the loss of biodiversity. This is endemic across Wales and needs to be addressed fast. Such an example of 'business as usual' – how do you get passed it?

Response (PA) I think it's less 'business as usual' but more 'business under incredible austerity-driven council shortage of money'. I think it's a consequence of subcontracting a lot of management to subcontractors who will, for example, save money on a risk assessment of trees by cutting them down. What do you feel is the answer?

Response: *Nigel Pugh, Woodlands Trust* – For them to acknowledge planning policy Wales' 10 directives, and all the acts and directives that we have in place at the moment, and for them to be accountable for those decisions.

Response: *David Clubb, Afallen:* I saw an interesting proposal online; for example, once a tree reaches a certain point of maturity, you issue it with documentation to make it a legal citizen like businesses are. So businesses effectively have a legal position, which is the



same as a human would, so let's issue all trees over 10 years old with a legal right to life and to clean air etc.

Response (PA) Perhaps one of the tools for helping making the case is to look at the multi-solving benefits of living in a greener environment. People who live connected to nature have lower health costs, so we'll save money in other budgets if we keep our spaces green as well as doing what we have to do to honour nature.

Response (LG) Richard briefly mentioned planning in his presentation and I know the National Development Framework is in gestation at the moment here in Wales but some of this needs to come from there as well.

Question: *David Clubb, Afallen:* You've mentioned and also suggested a solution about the challenges facing future generations, which public bodies are obliged to do, and the idea of cost or benefit sharing, which is one I've also wrestled with. Let's take an energy project as an example. If you have a hydro project that, on paper, makes little economic sense, how do you quantify benefits such as active travel, a good cycle path with good access and local GPs who will encourage people to enjoy such benefits? If, in theory, at a meeting you're telling someone it's going to cost you £5,000, but we're asking the health board for £2,000, local authorities for £1,000 and fire and rescue and the police for £500 each, how do we build projects which, in some way, quantifies these benefits? Because without that it's hopeless. You can't get someone to sign off on a budget for something they're not going to take some kind of possession of.

Response (PA) I think if we root it in the evidence based on real life examples where situations have been changed and actually given the multi-sort of benefits, and then monitor that over time, you've got an evidence base, but I'm not an economist by trade.

Response (RM) We could ask a range of authorities such as fire and rescues to chip in a bit but it's very hard to make them pay for that, so this is the role of having a central agency who owns the externalities. We're here to take government-provided funding for the purpose of being able to fund the, say, 30 per cent of a project that isn't fundable in another way. To answer the question about Green QE and whether there was a role for Green QE, yes I think you could do. But the other dimension of this is to also make clear that the existing alternatives are themselves unviable. The work we're doing on climate accounting is literally private sector climate accounting. As far as I know they're trying to put the cost of climate change on the balance sheet. My proposal is something that's trying to be sustainable across accounting and that says a company must work out how much it will cost it to become debt and carbon neutral on scopes one, two and three. We actually then have to figure out the consequences, and then, once they've costed that, they have to put the whole pot on the balance sheet upfront. Which, to discount everything, is a complete reversal to the logic of accounting, as the whole logic of accounting is to discount the future. Many existing companies are in fact carbon insolvent and literally will not have the resources to make the transition. It's going to massively reallocate capital and question why we put money into oil fields when it should be going to renewables as those companies can survive while oil can't. It's going to be a big challenge. I have been encouraging my pension funds and institutional investors to rock this boat very hard. Because existing pension and private portfolios don't yet realise how messed up by climate change they are. So one way of making it easier to make those budgets balance is by showing that any other budget is much more in balance. So it's rational to invest in the alternative because the so-called rational and current



behaviour is actually the most irrational of all, so I've come up with a method of accounting for that. Will it happen? I don't know.

Response (PA) If we had a system where your community-owned hydro could sell the electricity within the substation area to everybody who lives around it at 10p per unit, instead of selling it to the grid for 5p. The people around it would get cheaper electricity and get a better share. They would still pay something for the local grid, and then it would be more viable, which is a model that is already working.

Question: *David Clubb, Afallen* – Yes but that's not the full picture and in some circumstances won't be viable, too difficult and there are still wider benefits to be captured.

Response (PA) But levelised cost accounting, where any energy choice, you include the health implications which can be negative and positive for the future adaptation costs, so we're really costing fossil fuels fairly.

Response (LG) Surely this is a role for the Welsh Government.

Question: *Rob James, Bridgend College* – Even if you get all the accounts right and the financing right, where are the skills? There's a massive skills gap because we're still teaching how to put in boilers as the main thing. Education time is shortened and starting at a lower base. You then have tradespeople investing to keep up with trends and they come and complete whatever course they're doing but the goalpost gets shifted. There was a time where zoned heating was important but because of different housing developers and other people losing profit margins it was dropped. Water harvesting has been shifted sideways. They're now saying we now have 10 years to do all this, but even if you've got the money you haven't got the infrastructure or the skills.

Response (PA) Skills are very important because we train thousands of people to become solar installers and businesses were popping up but the incentives, which were supposed to form, were cut faster than anyone expected and forced them all out of business. If you compare that mentality with Germany where they can't be changed - even if the government changes them it would be culturally unacceptable. We need that mentality here with an emergency mindset and build the social license behind that.

Question: *Tony Cooke, Cardiff Community Energy* – You referred to the Part L consultation earlier and how the reason for the five year delay is because of lack of skills, supply chains and large house builders saying that although they'll have known about the challenge for 19 years come 2025, they're not prepared so they can't do it. I can't see there's a skills difference between fitting a triple glazed window to a double glazed one as the skills, materials and processes are the same so production can be scaled up slightly. I can't think of a reason to justify delaying that until 2025 – how can it be justified?

Response (PA) I think it is having an emergency solutions mindset. One of the most inspiring collaborations we work with is called the Rapid Transitions Alliance which brings together real life case studies from history from around the world where rapid transitions have been delivered faster than anybody could imagine, for example, railways, preparation for World War II and dealing with the banking crisis. There is evidence from history we can do it. Zero Carbon Britain shows that we have all the tools and technologies, it's just having the will to do it and a political system building social consensus behind it. But cultural shifts



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don't happen linearly, they have to be keep being pressed as we've seen over the last few years with race, class and gender. Having the positive end vision, so we can clearly show we have a better lifestyle and a better vision for the Wales we want, is important and we must keep it close to our hearts.

Close

The host thanked the presenters and guests, and asked for suggestions for future topics from attendees.

Date of next meeting

16 June 2020.