

## **Closure of the Low Carbon Buildings Programme to new Applications**

**Effective from (06.00 am) Monday 24<sup>th</sup> May 2010**

- Government has announced that it is committed to delivering £6bn of departmental spending cuts in 2010/11.
  
- The Department of Energy and Climate Change (DECC) is contributing £85m to this total. The sum reflects the fact that DECC operates with relatively small admin costs but still delivers against a big and challenging agenda.
  
- Cuts of this level are never going to be easy. They come from two sources:
  - About half come from efficiencies and other savings across our central spending and that of our arm's length bodies. We have focused on making efficiencies in our back office functions first but some efficiencies in our programmes of work are also possible. This will amount to approximately £42 million
  
  - The other half comes from cutting or slowing down planned expenditure. This will amount to approximately £43 million.

***It is therefore with regret that we announce that as of 06.00 am Monday 24<sup>th</sup> May 2010, the Low Carbon Building Programme (LCBP) will close to all new applications.***

### **Low Carbon Buildings Programme**

**How much has been 'cut' from the programme?**

- £3 million of savings will be taken from the programme resulting in its immediate closure to new applications.

### **Why is the LCBP building programme being cut when we are hoping to encourage a low carbon economy?**

- The LCBP programme has been successful in increasing the uptake of low carbon buildings technology in the UK and developing the assembly, supplier and installer base in the UK, especially for electrical Microgeneration
- The LCBP grant programme has provided approximately 20,000 grants for the capital and installation costs of Microgeneration equipment of which, to date 11,000 have been for thermal technology (33% by value, 58% by number of installations). These have produced lifetime carbon savings of 300,000 tonnes of CO<sub>2</sub>.
- Support mechanisms, in the form of a Feed-In-Tariff for renewable electricity, introduced on 1 April 2010, means that LCBP is no longer required for electrical microgeneration.
- It was anticipated that support for the proposed Renewable Heat Incentive for heat under LCBP would continue up until its proposed introduction in April 2011 however demand for grants has been unprecedented and we had very little unallocated funding remaining. It has been decided that by closing the programme now, these unallocated funds will contribute towards DECC's overall savings.
- Applications worth £63 million for payment in 2010-11 are not affected by the cuts and where grant offer letters have been issued they will be processed to provide continuity and continuing market development (investment, innovation and jobs).
- Applications that were received before the programme was closed and which are currently considered by our programme contractor BRE will also not be effected by the closure. If they pass the standard due diligence test applied to all applications they will be honoured.

### **Why has there been no notice that the LCBP programme will close?**

- Since the election, Government have moved very quickly to identify necessary areas of savings in line with public announcements. LCBP has not been 'singled out' for cost savings, it is one of a number of areas where savings have been identified during a thorough review of expenditure.
- To make sure that savings could be maximised, it was decided that closure of LCBP (and other areas) should be made immediately to prevent a run on remaining funds.
- We appreciate that this is not ideal but our experience of offering a short period of notice prior to closure of LCBP to electrical Microgeneration in February 2010 indicated the extent to which resources could be quickly taken up.

**I have a valid Grant Offer Letter – will that still be honoured.**

- Yes, as long as the terms and conditions are adhered to, if you have a valid grant offer letter (GOL) LCBP will pay the agreed amount. The closure is for new applications only.

**I have submitted an application for LCBP2 but not received a grant offer letter – will my application still be considered.**

- Yes. Applications that were received before the programme was closed and which are currently considered by our programme contractor BRE will also not be affected by the closure. If they pass the standard due diligence test applied to all applications they will be honoured.

**Are you now offering zero support for renewable heat until the Renewable Heat Incentive kicks in?**

- Applications worth £63 million for payment in 2010-11 for installation of heating renewable heating technologies are not affected by the cuts and where grant offer letters have been issued they will be processed to provide continuity and continuing market development (investment, innovation and jobs).

- The Government is committed to meeting the UK's share of the EU renewable target and to reducing carbon emissions to meet our 2050 targets. Both targets will require developing renewable heat and decarbonising the heating sector. The Government will be considering further the role that financial incentives can play in helping us to meet our renewable and carbon targets.
- The Government is also clear that decentralised energy including Microgeneration technologies have a role to play in meeting these targets.