

News Release

Jenny Jones

London Assembly Green Party Member

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£900 tax hike to install solar panels on your home

London Assembly Member Jenny Jones has condemned HM Revenue & Custom's announcement today that it plans to increase VAT on solar panels and wind turbines (1). Currently these technologies are charged at 5 per cent VAT, and the proposals will see this increase to 20 per cent, which would add £900 on the typical 4KW domestic solar installation (2). This comes on top of recent cuts to the Feed in Tariff support mechanism for renewables, which the Mayor of London criticised, saying it would see significant job losses and City Hall energy projects cancelled (3).

Jenny said:

"This is the latest blow in a deliberate assault by the Government on policies to tackle climate change. David Cameron's wellies are still wet from his visit to Cumbria as he delivers this latest crushing blow to the renewables industry. The Government has made the link between the unprecedented rainfall and floods and climate change (4), at the same time that it cuts support to the very technologies that can tackle it"

"The Mayor has written his letters, now it's time he took his gloves off and challenged the Government. This is deliberate negligence and is putting our future at risk."

Editors Notes

1) HM Revenue & Customs: Changes to the reduced rate of VAT for Energy Saving Materials. Consultation document published 9th December 2015, with closing date for comments on 3rd February 2015. If implemented, the proposals would come into force from August 2015. <https://www.gov.uk/government/consultations/vat-changes-to-the-reduced-rate-of-vat-for-the-installation-of-energy-saving-materials>

2) <http://www.solar-trade.org.uk/threat-of-ma> <http://www.itv.com/news/2015-12-08/climate-change-blamed-for-cumbria-flood-devastation/jor-vat-hike-for-residential-solar-needs-urgent-action-from-london-and-brussels/>

3) Mayor's letter to Minister of State for Energy responding to FIT consultation, dated 22 October 2015 and accompanying briefing

What Mayor said in response FIT consultation:

i) What Mayor thinks of proposal: describes proposal as "sharp cliff edges like this, with very little warning, could be damaging to the industry and investor confidence".

ii) What Mayor wants: "a planned transition over a period of two to three years, which provides certainty and stability for the solar industry as it becomes self-sustaining".

iii) Expects significant job losses: London's solar industry employs c 3,100 people many in small businesses, or 11 percent of England's solar jobs. "The businesses which are completely exposed to the British solar market could be at risk of not surviving the

proposed FIT changes". It mentions that solar firms 'Mark Group', 'Climate Energy' and 'Southern Solar' with offices in London have gone into administration and 'SunEdison' is leaving the UK market. One SME has already lost £2.5m in projects. Firms that plan to refocus abroad may not be able to maintain London offices and/or operations.

iv) How businesses are reacting and what they expect: "a rush on projects which are well advanced" so they can take advantage of current FIT rate. "This could trigger the proposed spending cap and result in cessation of the scheme in January 2016". They are putting business plans on hold until an announcement on the results of the consultation is made, most likely not until December.

iv) Mayor's programmes already negatively affected: Based on impact of proposals it is "estimated that 33 jobs fewer jobs be created or sustained and a further 106 are at risk if pipeline projects are cancelled" which contain £7.3m of projects. Since FIT consultation announced, "£1.6m worth of projects have been cancelled", "£5.1 million remain in the pipeline but are at a high risk of either reduction or cancellation". A £2m project in the Mayor's RE:FIT public building programme pipeline "is now being reconsidered and depending on payback period, may not include solar PV".

v) Expected impact on rented sector: "that little or no PV will be installed in the rented sector".

vi) Expected impact on community energy: Refers to recent survey undertaken by Quantum for Community Energy England, "Ninety-one percent that their future ambitions are at risk, representing £242 million of capital investment, and 98 per cent thought their community activities would be wholly (80 per cent) or partially (18 per cent) at risk."

vii) Expected impacts on domestic sector: proposed tightening of energy efficiency criteria for FIT to an EPC band C where there is little or no support available for more expensive measures would act as disincentive and preclude most homes in London from accessing FIT for solar PV.

4) <http://www.itv.com/news/2015-12-08/climate-change-blamed-for-cumbria-flood-devastation/>