

# Taylor Wessing: Sustainability

## Budget 2009

### Sustainability sticks ... or should that be carrots?

What are the green ‘carrots’ and ‘sticks’ in the sustainability measures announced in the Budget 2009, which affect the UK development industry?

In Taylor Wessing’s award-winning Sustainability Report, ‘Behind the Green Façade’ (a copy of which can be downloaded at [www.taylorwessing.com/sustainability](http://www.taylorwessing.com/sustainability)), we asked the question:

“What form of Government strategy do you believe will be most effective in driving forward the sustainability agenda in the future?”

The results suggested that while the ‘stick’ of regulatory sanctions is acknowledged to have its place, a clear majority believe that the ‘carrots’ of financial incentive will be the most effective strategy for driving real behavioural change. Tax relief was the most popular response (40%), though regulatory control followed closely behind (39%), and a significant proportion (17%) believed that grants or aid would be most effective. Many respondents commented that incentivisation schemes would certainly help the industry to overcome cost impediments, particularly taking into account the current financial climate.

### Budget 2009 Sustainability Measures

Measure	Analysis	Verdict
The standard rate of landfill tax will continue to increase by £8 per tonne on 1 April each year from 2011 to 2013. The lower rate of landfill tax applying to inactive wastes will be frozen at £2.50 per tonne for 2010 – 2011.	The purpose of the increase is to incentivise investment in more sustainable alternatives to reduce reliance on landfill. A minor benefit is that the confirmation of the level of increase up to 2013 will, at least, help increase certainty in the pricing of construction projects in the medium term.	Stick
Following the increase in the aggregates levy to £2 per tonne from 1 April 2009, the aggregates levy will be frozen at £2 per tonne in 2010 – 2011.	The 2009 increase in the levy is intended to maintain its environmental effectiveness in encouraging the use of recycled aggregates and alternative materials. Freezing the levy is hoped to ease pressure on the development sector under the downturn, but primarily will just provide more certainty in the pricing of construction projects in the medium term.	Stick
There are a series of headline measures designed to support and encourage renewable energy, relating primarily to off-shore wind farms and carbon capture and storage, which provide welcome support to this sector. There are additional small scale measures also included which are of relevance to the development sector including: <ul style="list-style-type: none"> <li>&gt; An additional £45 million for small scale renewable electricity and heat programmes primarily through the Low-Carbon Building Programme; and</li> <li>&gt; £25 million in funding for low carbon community heating schemes.</li> </ul>	The focus is on direct and indirect financial support for the renewable energy sector. Whilst these measures are unlikely to impact directly on the development industry, further developments in renewable energy will reduce the costs of including renewable energy elements within development projects, which Taylor Wessing’s report indicates will have increasing prominence over coming years.	Carrot

Measure	Analysis	Verdict
<p>There are a series of measures designed to promote energy efficiency across the economy, including:</p> <ul style="list-style-type: none"> <li>&gt; £100 million extra to improve the insulation for homes in the social housing sector (relevant for mixed schemes with affordable housing requirements);</li> <li>&gt; £100 million for the construction of new homes at higher energy efficiency standards;</li> <li>&gt; £65 million of new funding for loans to install energy efficiency measures in public buildings; and</li> <li>&gt; revision of the energy efficient scheme list, indicating the technologies for which 100% first year capital allowances are available, to include one new technology (uninterruptible power supplies) and two new sub-technologies (air to water heat pumps and close control air conditioning systems).</li> </ul>	<p>These measures are unlikely to significantly affect the UK development industry, except where projects include aspects for which additional funding is now available (for example, the construction of new homes at higher energy efficiency standards). In terms of promoting sustainability and energy efficiency, however, where additional funding or cost-savings are available, these will assist.</p>	Carrot
<p>The Government will allocate £405 million to support the development of a low-carbon energy and advanced green manufacturing sector in the UK.</p>	<p>Whilst this will not impact directly on the UK development industry, improvements in green manufacturing will help reduce the costs of using these technologies, promoting sustainable development involving green manufacturing in the future.</p>	Carrot
<p>Climate change levy rates will remain at the current levels in 2010 – 2011. Supplies of low value solid fuel valued at no more than £15 per tonne will become subject to the climate change levy for relevant supplies made on or after 1 January 2010.</p>	<p>Freezing the climate change levy rates will not affect costs of a construction project, but will help increase certainty as to the costs in the medium term. Making low value solid fuel subject to the climate change levy will, however, increase costs with the aim of reducing usage</p>	Stick
<p>The main fuel duty will increase by 2 pence per litre on 1 September 2009 and by 1 penny per litre in real terms on 1 April each year from 2010 to 2013.</p>	<p>This will increase the costs of transportation, with the intention of discouraging road and petrol usage (and generating revenue for the Treasury).</p>	Stick



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## Conclusions

Unsurprisingly in the current financial situation, the Budget 2009 sustainability measures seem to focus more on the **'stick'** than on the **'carrot'**. Taylor Wessing's Sustainability Report found that the development industry believes that a mixture of carrots and sticks are required and that by working together Government and industry can explore benefits and incentives that will promote behavioural change as well as effective regulatory sanctions.

Many of the positive measures in the Budget are focussed on development of the renewable energy sector, energy efficiency and promotion

of the green manufacturing sector. This at least is a positive, albeit small, step in the right direction – let's hope that the Government presses forward with more vigour and more carrots!