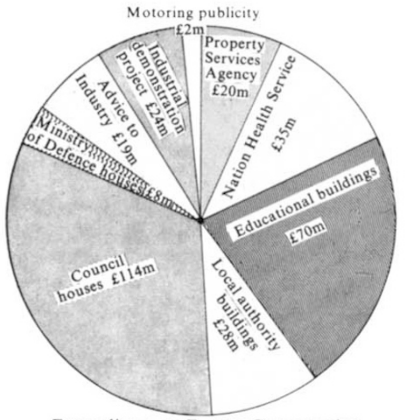
Energy conservation comes of age



Expenditure on Energy Conservation 1978/79 – 1981/82

LAST week's announcement by UK Energy Secretary Mr Tony Benn of a £320 million package of government-sponsored energy conservation measures provided a firm indication that in Britain, as elsewhere in Western Europe, energy conservation has finally come of political age.

At meetings held last month by the Council of Europe in Strasbourg and the European Economic Commission in Brussels, speaker after speaker came to the platform demanding action on conservation with an enthusiasm unknown even six months ago. After the Brussels meeting, Herr Guido Brunner, EEC commissioner for energy, announced that the commission was likely to set up a new directorate concerned with energy conservation. And the German government has since announced a conservation package, including doubling the tax on home heating oil.

The largest part of the British package, which is to be spread over a period of four years, is the £28.5 million a year which is to be spent on providing loft insulation and draught-proofing measures for two million council houses. There will also be considerable sums of money allocated to government departments responsible for buildings.

As far as industry is concerned, a major expansion of information and advisory services will take place at a cost of £19 million over four years. Discussions are taking place with the motor industry about steps to reduce petrol consumption in new cars. And more than £20 million is being provided for an extended programme of demonstration projects, providing examples of the type of savings that can be made by individual companies.

Perhaps the most significant aspect of the British package is the financial investment that it implies in energy conservation measures. Last year a Government White Paper stated that, while encouraging public sector bodies to finance such measures from their existing budgets, there was "no case for special financial assistance".

In last week's announcement, however, although Mr Benn repeated that programmes would be financed "as far as possible" from savings made elsewhere in existing programmes, over half of the initial £320 million budget is to be "new money". Only £93 million is being obtained from redirecting existing funds, the rest is to come from recycling the savings made from initial stages of the programme.

Another important indicator of government determination is the decision to establish a new Energy Conservation Division in the Department of Energy under Mr Bernard Ingham, for the past four years the department's director of information. The division will be responsible for developing and coordinating UK energy conservation policy.

Energy conservation has thus been clearly placed near the top of the department's agenda, receiving considerably more attention than two years ago when, in spite of the publicity surrounding the "Save It campaign", the House of Commons Select Committee on Science and Technology dismissed the department's conservation efforts as "feeble".

The Select Committee did little to influence the department's strategy, which until now has relied primarily on example and propaganda. Since then, however, at least three factors seem to have contributed to the development of a more aggressive approach towards conservation.

The first of these has been President Carter's continuing determination to pass a wide-ranging energy bill through conference, providing the framework for a coordinated energy policy. A second factor has been the recent upturn in the British economy which, with the economic benefits of North Sea Oil beginning to be felt, have placed the government in a position to allocate financial resources to new programmes.

Perhaps most significant in political terms, however, was the summit meeting of head of state held in London in May. Energy conservation occupied a prominent position in the final communique, which stressed the need for "strict conservation measures" to enable an energy market to function harmoniously.

Shortly after the summit meeting, Mr Benn set in motion a major exercise to examine the scope for energy saving across all sectors of the economy. In particular, he asked for quantified calculations of the savings which could be achieved for specific levels of public expenditure to obtain a substantial reduction in the growth of energy consumption.

Two other aspects added to the packet's political acceptability. The extra work involved in carrying out the massive programme of insulation—a labour-intensive activity—can be claimed to contribute to the general problem of unemployment (even though local governments may baulk at some of the administrative implications). And the short-term, quantifiable benefits of conservation measures provide more tangible—and, to governments of short-time, more useful—political capital than measures whose impact can only be seen over ten years or more.

There remain reservations. Some have suggested that the proposed investment in insulation is too small to obtain maximum effectiveness, and that the measures will prejudice a second bite at the cherry. Others have complained that the package applies only to public sector housing, with no comparable efforts in the private sector.

And, of course, there remains the problem of energy conservation in industry, the biggest consumer of energy accounting for 40% of total consumption. Here the government's strategy remains essentially propagandist; two days after Mr Benn's package, Mr Leslie Huckfield, Industry Under-Secretary, claimed that appropriate measures could save industry up to £370 million a year, and that although this would require a capital investment of £560 million, "with such an incentive for reducing costs, they should be an attractive investment".

Industry itself remains sceptical, both about the Government's calculations with regard to what is practically (as opposed to theoretically) possible, and towards the claims of energy conservation as against other demands for capital investment, such as new equipment. An official at the Confederation of British Industry said last week that rather than offering financial incentives to industry for conservation measures, the government should reduce the general level of taxation, and let industrial management decide how to invest the extra money.

It remains to be seen whether the government will accept this *laissez faire* attitude. The Energy Commission's working paper emphasised that desired changes could not be left to price mechanisms alone, but that mandatory measures were needed to back up financial incentives. Possible measures could include new regulations about building design, petrol consumption of private motor cars, and so on. Mr Benn has demonstrated the size of the carrot; but we have yet to see the size of his stick.

David Dickson