



Malcolm Wicks MP
Minister of State for Energy
Department of Trade and Industry
1 Victoria Street
London
SW1H 0ET

24th October 2006

**Low Carbon Buildings Programme – first year funds committed after six months
Joint statement from microgeneration industry**

Dear Minister

We are writing to you jointly as the trade associations representing the UK's micro-generation industry.

The Renewable Energy Association (REA) was established in 2001 and now numbers over 450 companies, active across the entire range of renewable energy technologies and applications. The British Wind Energy Association (BWEA) was established in 1978 and is the representative body for companies active in the UK wind and marine energy market. Its membership has grown rapidly over recent years and now stands at over 300 companies, including 98.8% of all grid-connected wind energy now installed. The Solar Trade Association (STA), also formed in 1978, represents over 90 UK solar water heating businesses including manufacturers, distributors and regional installation businesses. The Micropower Council was established in 2004 as an umbrella body comprising companies and other trade associations to undertake policy research and advocacy on issues common across the entire family of micro-generation technologies. Green Alliance is an environmental think tank, which aims to make environmental solutions a priority in British politics.

These organisations are in a unique position to comment on the circumstances which will affect the future growth and development of the micro-generation sector. We wish to raise a matter to your urgent attention which we feel is critical to the growth and survival of the industries we represent.

As you will know, the first year budget for household renewable energy systems under the DTI's Low Carbon Buildings Programme has now been committed in full. With six months of the financial year still left to run, renewable energy installers and their customers face a hiatus in Government support until the start of year two of the programme in April 2007. The introduction of the Low Carbon Buildings Programme

(LCBP) earlier this year designed to replace the Clear Skies and solar PV Major Demonstration Programmes has been accompanied by a cut in the real amount of funding for householder micro-generation technologies. We feel this decision conflicts with the Government's own Micro-generation Strategy and the rapid growth in public interest in mass-market micro-generation.

Under the previous Clear Skies and solar PV Major Demonstration grant programmes, there was sufficient funding to meet rising household demand on a first-come, first-served basis. In 2005/6, £ 6.6 million was committed to household grants under the old programmes. But the equivalent LCBP household grant budget for 2006/7 is just £3.5 million, falling to £2 million in 2007/8 and £1 million in 2008/9. The DTI has now allocated the entire £3.5 million budget for the 2006/07 financial year.

At one level, this may indicate that micro-generation technologies are proving to be popular which is of course encouraging. However, our experience from previous grant schemes suggests that many householders will simply not proceed with their installations if there is the prospect of being able to obtain grant support if they wait until the subsequent year's "pot" is open for business.

The "stop start" this leads to in the industry is deeply damaging to business and investor confidence, and must not be the pattern for future funding programmes. However, we are deeply concerned that this is now the case, as it becomes evident the first year LCBP funding has expired well before deadline - with significantly less funding allocated for future years at a time of unprecedented public and government policy interest. Moreover, it also points to the need for future funding arrangements to be clarified as early as possible, and carefully designed to ensure that market transformation is the principal goal of any future funding scheme.

In reflection of these points, we urge you consider urgently

(a) seeking further funds from the current Treasury spending review to boost the modest household grant allocation currently earmarked for years 2 and 3 of the programme, and

(b) in the meantime ensure that the entire 3 year total for the household element of the LCBP (ie £6.5 million) is made available on a roll-over first come first served basis, without the need for "rationing" of the budget later this year. It is simply too early in the development of the UK micro-generation market to limit severely the available support for the household sector.

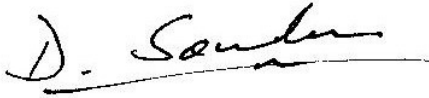
(c) As part of the DTI's input to the comprehensive spending review, put forward a robust case for a market transformation programme beyond the current grants scheme that provides sufficient incentives for householders to install micro-generation technologies, but that is designed thoughtfully to help the industry become more self-sustaining as uptake increases.

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Collectively, our organisations wish to continue to work constructively with the government on this and other issues vital for the success of the micro-generation industry. We hope that serious consideration will be given to the points set out above. We would be pleased to clarify any issues raised, offer any further information which may be required and also meet to discuss this matter in greater detail.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Sowden', with a horizontal line underneath.

Dave Sowden
Chief Executive
Micropower Council

In association with

Renewable Energy Association
British Wind Energy Association
Solar Trade Association
Green Alliance

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