

23.05.23

17 Deputy R.J. Ward of the Minister for the Environment regarding the replacement of oil-fired boilers (OQ.98/2023)

Following the announcement of payments of up to £10,000 per household to replace oil-fired boilers, will the Minister advise what consideration, if any, has been given to adapting current boilers to biofuel, given the less expensive measure than replacement, in conjunction with the announced project in order to allow for a transition phase as the longer-term work is carried out?

Deputy J. Renouf (The Minister for the Environment):

I thank the Deputy for the question, which is a good one. The scheme that my colleague, Deputy Jeune, announced a week or 2 ago does not include a conversion for fuel oil. But it is under very active consideration and in fact we have asked officers to create a pilot scheme to explore how we might do that kind of a conversion. The key point being that we need to make sure that if a conversion from conventional fossil fuel boilers to a boiler burning H.V.O. (hydrotreated vegetable oil) fuel does take place that it is not converted back at some future point to fossil fuel. It is a conversion of technology. It does involve changing the boiler but of course it could be changed back. We just need to work on that to make sure that we do not end up in a situation where we funded a piece of technology that does not end up being used in the way we would hope.

3.17.1 Deputy R.J. Ward:

Given that the project announced, which is probably the right thing to do, will take a long time - a significant amount of time - and given that we are already showing that we are going above 1.5 degrees regularly and urgency is really now needed, can I ask the Minister whether he can look to really promote that area because home emissions are one of the largest emissions of CO2 on the Island?

Deputy J. Renouf:

It is for that reason that we have asked for a trial to be put in place and seeing the results of that trial will enable us to decide whether or not to go further with that. I do hope though that the scheme that we have announced will help us on that urgent quest to decarbonise. It is certainly a big challenge. We have something of the order of 20,000 fossil fuel boilers, I think, in the Island. Simple maths will tell you that to do those conversions before 2050 is going to be tough. We have set a target of 1,000 within the end of this scheme, which is the end of 2025 I think. That is of the order of one a day, to give some context for this; one a day. That is a fairly stiff target to meet but we are keen to do it. We have got the funds in place to do it and we have created a scheme to train people up so that they are able to do that scheme in a way which offers quality assurance to the public. We look forward very much to seeing how good the uptake of that is.

3.17.2 Deputy M. Tadier:

Does the Minister acknowledge that not only is there an absence of subsidy for those wishing to make the right green choices in this particular example but there are examples of course about wishing to go with an electric bike, a bike, an electric car and that in those cases, on top of the lack of subsidy, that Government slaps 5 per cent of G.S.T. (goods and services tax) on to those bills? With that in mind, does he think that it is justifiable that G.S.T. is still being charged on behavioural changes that we would otherwise like to see in terms of some significant expenditure?

Deputy J. Renouf:

There is quite a lot in that question but I will deal with that last point first. Yes, I do and the reason is because this is more a question about G.S.T. I think than it is about carbon incentives. We have a low, broad and simple principle with our taxation, and G.S.T. fits into that. We tax G.S.T. in that way in order to keep the level low. If we take it off things we have to raise the money elsewhere. My focus is on creating the incentives elsewhere through other means that will achieve the policy objectives. That is why we have these subsidy schemes, which are worth far, far more than would be achieved by a very small effective reduction in prices that would come through reducing G.S.T.

[11:45]

We are putting in place targeted measures to achieve a specific policy objective, that is, I think, the best way to deliver that huge change that we need to achieve.

3.17.3 Deputy M. Tadier:

That answer would be correct if it was not for the fact that Government already has significant exemptions. Notably we do not charge G.S.T. on marine fuel, so people with superyachts do not pay G.S.T. or even duty on their marine fuel and school tuition fees are exempt from that, and that is presumably because it is for a political outcome; they want to incentivise a particular type of behaviour. Does he recognise that because we already incentivise behaviour through a removal of G.S.T. and set an example, is that it is a perfectly valid thing to apply to green initiatives and green purchases? At least that those who spend perhaps £10,000 replacing an oil burner for an electric one are not saddled with an extra £500 of Government tax on top of that.

Deputy J. Renouf:

I will keep my answer, if I may, to the question of fossil fuel, which is where the original question came from. I think the question of marine diesel is an interesting one and I am certainly prepared to look at that one. But in terms of the general point regarding the benefits of targeted delivery of funds to the people who are about to make a transition of the type that we want, I think that is a far, far better use of government funds. I think 5 per cent G.S.T. would not be a £500 charge on a £5,000 grant.

Deputy M. Tadier:

I did not say that, I said £10,000.

The Bailiff:

I am not sure makes a difference, thank you.

3.17.4 Deputy L.V. Feltham:

What consideration, if any, when designing and implementing the scheme has the Minister and officers given to the learnings from other jurisdictions? I am aware that other similar schemes in other jurisdictions have led to price hikes from suppliers, which have indeed negated the impact of the subsidies and in some instances made conversion - I am thinking about solar power in Australia - more unaffordable. What measures within the scheme have been put in place to mitigate against the risk of potential price hikes by suppliers that might then negate the purpose of the scheme?

Deputy J. Renouf:

Members will be aware that we piloted this scheme for a period, precisely to try and avoid some of the errors that have befallen other attempts, other jurisdictions when they have attempted to do these incentive schemes. A key part of that piloting was in order to train people who would be delivering the scheme in a way that would enable them to deliver advice that we felt and knew would be appropriate to their circumstances. That training programme has been gone through by a certain number of contractors. We are very hopeful that more will go through it. There is a sense, I suppose, in which the delivery of a new service, increasing demand in an economy that may have bottlenecks in it, may lead to increasing prices. I do not think, however, it will be a consequence of the design of the scheme. We have designed a scheme that has taken advantage of the experience that has been done elsewhere in the U.K. where 2 schemes have failed, essentially, with reports to Parliament which have been very, very critical of them. We have avoided those pitfalls with a scheme that has quality assurance and standards built into it.

3.17.5 Deputy L.V. Feltham:

Earlier in his answer the Minister suggested that the scheme was aimed at people that were on the point ready to convert their current boilers. Was he admitting perhaps that the scheme is helping people that could already afford to replace their boilers and were indeed already intending to make the conversion? How will he measure the success of the scheme in encouraging more people to adopt more sustainable ways of heating their home?

Deputy J. Renouf:

I think what I am trying to say is that we are trying to encourage people who want to do the right thing but may not be able to afford it. The purpose of the incentive scheme is to encourage them past that tipping point, if you like. We would like to do the right thing but we do not quite have the money. We have 2 schemes in place for that, £5,000 for people who have the ability to match funds and £10,000 for people who do not, who are on low incomes and, therefore, would not be expected to meet the full cost. That includes money that might be used for home insulation, which is an important point in this. To return to the original question, one of the reasons why H.V.O. is a problematic fuel at the moment is it is so much more expensive than conventional fuel, therefore, anybody making that conversion would expect to pay more for their fuel going forward and, therefore, the risk is that they would convert back. Therefore, we need them to put in place insulation measures which would help mitigate the cost of the most expensive fuel. I have slightly wandered from the Deputy's point but I hope that at least answers a part of the question.

3.17.6 Deputy R.J. Ward:

Because the conversion is a very simple one, has the Minister thought that one of the ways it could be used is to, if you like, put people in a queue for later on because it will take a long time, as you said, only one boiler per day, in order to, firstly, make a transitional move to lower our carbon emissions and, secondly, to get people encouraged to look further ahead to make that change to electric heating in the long term? It is just an ingredient that could be added to, if you like, speed up a transition.

Deputy J. Renouf:

We will be keeping very much under review the volume of enquiries that come. I think a mechanism by which we can provide some guarantees that if there is not a contractor available immediately,

there might be one soon would be a good idea. It is very early days and we do retain one of the advantages of being a small jurisdiction and having a team of exceptionally committed officers working in this space is that we can tweak and adapt the scheme as we see problems or issues that arise. I know that Deputy Jeune and officers will certainly be keeping an eye on it and I look forward to reporting back to the Assembly as the scheme progresses, and indeed as we bring forward further schemes to encourage the journey to decarbonisation in line with the Carbon Neutral Roadmap.