

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

19 June 2020

Dear Chancellor,

Call for a green recovery from the Covid-19 pandemic recession by renewables industry trade bodies and related associations

We, the undersigned associations, are writing to you to make representations on behalf of the renewables industry in this pivotal moment for the UK - as we decide how best to recover from the economic recession caused by the ongoing and unprecedented COVID-19 pandemic. The UK and global economies that we are hoping to rebuild have long been under the existential threat of a climate catastrophe, which they have created. Many people have now made the connection between the current emergency and the climate emergency, with the latter being much graver. In this light, **we seek to add our voice to the many others that have now called for a green recovery from the current economic crisis and warned against locking in fossil fuels in the rebuilding process.**

Fighting a crisis by exacerbating another, greater one would be utterly short-sighted. In recent years, the UK Government, alongside many other governments around the world, has recognised the climate threat and declared a climate emergency - setting up climate targets that, if missed, will push the planet's limits to a tipping point from which we will not be able to recover. The public has also woken up to this reality on a global scale, and millions of people have taken to the streets to ask their governments for imminent and radical action to address climate change. The shift to a green economy necessary to avert a climate catastrophe requires significant investments, the kind of financial measures that will also be needed to revive the economy. In the past, recovery plans from crises only focused on economic growth. Current governments must imperatively move away from an environmentally unsustainable growth to embrace a green one. Failure to do this will certainly come at an unimaginable human and economic cost. As such, we welcome the news that low carbon industries and energy efficiency will play a central role in the UK's recovery plans, as stated in your recent interview with the Times newspaper.

With this letter, we ask you to avert a return to business as usual, which would make it impossible to meet climate targets and keep warming below 1.5°C. We ask for recovery packages that are tied to net zero targets, and as such, that support the creation of a circular green economy to minimise waste, investment in green infrastructure, including energy efficiency, and the scaling up of renewables - all of which make environmental but also economic sense.

Prime Minister Boris Johnson said we need to "Build Back Better" and we want this to mean "Build Back Green". For this reason, we are urging you to:

1. Choose renewables as a safer and more lucrative investment

In deciding whether to invest taxpayer money into fossil fuels or renewables to revive the economy, economic reasoning will be certainly key. A decade ago, in the wake of the 2008 financial crisis, the same reasoning foundered calls for a green recovery. Since then, circumstances have dramatically changed. According to a recent [report](#) by the International Renewable Energy Agency (IRENA)¹, renewable energy has become the cheapest source of energy generation in almost every major economy.

¹ <https://www.irena.org/publications/2019/May/Renewable-power-generation-costs-in-2018>

Recent events show that investing in fossil fuels is already riskier than investing in renewables. The [case study](#) recently published by the Rockefeller Brothers Fund (RBF)² is compelling in showing that divesting from fossil fuels endowed the fund with higher than expected returns that outstripped industry averages. At the turn of the last century and until 1911, John D. Rockefeller's Standard Oil had control over 90% of the US' oil production. In 2014, RBF decided to divest from coal, tar sands and oil and gas, making its current investment portfolio 99% fossil fuel free. The fund reports an average annual net return of 7.76% over the five-year period December 2014 to December 2019. This is a full percentage point higher than the one reported in the same period by an index portfolio made up of 70% stocks and 30% bonds, including coal, oil and gas holdings. What is more, the RBF's portfolio experienced less volatility than the industry benchmark. Certainly, the departure from fossil fuels has also protected the fund from recent market volatility amid the oil price crash triggered by the coronavirus pandemic and the price war between Saudi Arabia and Russia. The ongoing crisis has shown the resilience of electricity businesses compared to the oil and gas industry, with electricity prices holding up far better than that of oil, despite electricity demand having also been hit by the lockdown measures. Significantly, while the International Energy Agency (IEA) [forecasts](#)³ that oil demand is heading towards a 9% drop - returning oil consumption to 2012 levels - renewables are expected to be the only energy sector to grow in 2020.

Finally, we do not need to look far for evidence that transitioning to a low carbon economy is economically viable: since the Climate Change Act of 2008 and the UK's deployment of emission-cutting measures, per-capita GDP in this country has grown faster than that of any other G7 state and employment has risen while emissions have continued to drop. As Mark Carney said decarbonisation could be the greatest commercial opportunity of our time. We would like to thank for Government for ending the moratorium against onshore wind farms.

2. Focus on job creation across ALL renewables and related low carbon technologies - not just solar and wind

With millions of jobs likely to have been lost within a few months and, at the time of writing, 8.4 million people furloughed, recovery packages should focus on generating new jobs. In this regard, the recent [paper](#) by leading world economists Hepburn, O'Callaghan, Stern, Stiglitz and Zenghelis⁴ makes a very persuasive case for a green recovery. The paper says that pound for pound, investment in green energy technology delivers three times as many jobs than would be created by investment in fossil fuels. Looking at recovery policies after the 2007-8 crisis, they find that building a clean energy infrastructure is labour intensive in its early stages and thus, the renewables sector creates considerably more jobs in the short term, triggering GDP growth more quickly than through investment in fossil fuels.

The UK's oil and gas sector has called for financial support from the Government to survive the current crisis. Oil groups have estimated that 30,000 jobs might be lost at the UK's North Sea field. This [30,000 figure](#)⁵ is the number of direct jobs that the UK's anaerobic digestion (AD) sector alone could generate with the right policies in place, with minimal reskilling needed since the industry produces gas. Many of these jobs would be in rural communities significantly contributing to the levelling of economic opportunity across the UK.

Meanwhile, the continued commitment to the electrification of transport by 2040 (if not before), coupled with electrical energy storage and energy efficiency measures are also key opportunities for expansion in enabling the UK to reach to Net Carbon Zero 2050 targets in addition to creating many, ongoing employment opportunities within these sectors. These sentiments are echoed by the recent ['roadmap to recovery'](#)⁶ presented by the Construction Leadership Council and also that of the ['Skills4climate'](#)⁷ campaign by [Europe-On](#)⁸, of which ECA are a member.

² <https://www.rbf.org/annual-reports/investing-our-mission>

³ <https://www.iea.org/reports/global-energy-review-2020>

⁴ <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>

⁵ <http://adbioresources.org/docs/Biomethane - Pathway to 2030 - Full report.pdf>

⁶ <https://www.constructionleadershipcouncil.co.uk/news/construction-roadmap-to-recovery-plan-published/>

⁷ <https://europe-on.org/skills-4-climate/>

⁸ <https://europe-on.org/about-europe-on/>

Other renewables estimates

Statistics in the REA's annual [review report](#)⁹ forecasts an 85% increase in jobs in renewable energy and clean technology by 2030. Of this increase, 46,000 jobs would be in the North of England, concentrated around traditional carbon intensive hubs. At a global level, the International Labour Organization (ILO) has [predicted](#)¹⁰ that the development of a sustainable economy could create up to 24 million jobs by 2030. The World Biogas Association (WBA) estimates that 11-15 million jobs globally will be created in the biogas industry alone by 2030. It is difficult to envisage similar levels of job creation potential along any other economic path.

Similarly, a green buildings renovation programme, incorporating energy efficiency, heat decarbonisation and smart-enabled appliances and equipment, has the potential to contribute strongly to job growth; particularly outside of the South-East and in sectors hard-hit by the pandemic such as construction. This has been shown by work from the [Green Finance Institute](#)¹¹, [Cambridge Economics](#)¹², [IPPR](#)¹³ and the [National Infrastructure Commission](#)¹⁴

The Committee on Climate Change has called for an orderly transition. Recovery packages should not only generate green jobs but also aim at reskilling those who lost their jobs to enable them to transfer to greener jobs. The science makes it clear that the fossil fuels industry is in decline. Jobs in these industries are at risk and their workforce needs to be supported to prepare for the economy of the future. A [recent study by McKinsey & Co](#) looking at post pandemic stimulus packages¹⁵ refers to 2017 research by Heidi Garrett-Peltier that showed that spending on renewables creates five more jobs per million dollars invested than spending on fossil fuels.

3 - Ensure energy security for the UK is achieved through renewables

There is no better contributor to energy security than making a country self-sufficient rather than exposed to the volatility of oil prices. The renewable energy sector has proven that with the right investments, it can build up the capacity needed to quickly meet the UK's energy demand. In 2019, for the first time, renewable energy sources provided more electricity to UK homes and businesses than fossil fuels.

The BEIS and Ofgem *Smart Systems and Flexibility Plan* is a wide-reaching plan to develop greater electricity system 'flexibility' (e.g. through the deployment of energy storage technologies such as grid-scale batteries). The UK's work in this space is looked to by Governments and regulators worldwide. We are home to a budding energy storage sector which is already being [exported abroad](#) into countries such as Japan¹⁶. As barriers to the deployment of energy storage and demand-response technologies continue to be removed as per the Plan we will be able to integrate ever-greater volumes of low-cost electricity from solar PV and wind, reducing our requirements for imported energy.

Other renewables contribution to energy security

Complementing weather dependent renewables, bioenergy technologies provide dispatchable power – providing flexibility to the grid, supporting the deployment of decentralised renewable generation. Bioenergy technologies currently provide 11% of UK generation, predominantly in the form of Biomass Power. The REA's Bioenergy Strategy identifies the potential for biomass power to provide up to 30 TWh of renewable power by 2030.

⁹ <https://www.r-e-a.net/green-jobs-could-increase-85-in-10-years-with-government-support/>

¹⁰ https://www.ilo.org/global/publications/books/WCMS_628654/lang--en/index.htm

¹¹ <https://www.greenfinanceinstitute.co.uk/wp-content/uploads/2020/05/Financing-energy-efficient-buildings-the-path-to-retrofit-at-scale.pdf>

¹² <https://www.e3g.org/docs/Building-the-Future-The-Economic-and-Fiscal-impacts-of-making-homes-energy-efficient.pdf>

¹³ <https://www.ippr.org/publications/piping-hot>

¹⁴ <https://www.gov.uk/government/publications/smart-power-a-national-infrastructure-commission-report>

¹⁵ <https://www.mckinsey.com/business-functions/sustainability/our-insights/how-a-post-pandemic-stimulus-can-both-create-jobs-and-help-the-climate>

¹⁶ <https://www.moixa.com/blog-10000-batteries-in-japan/>

In addition, complementing weather-dependent renewables, anaerobic digestion (AD) constantly produces clean renewable energy that can be stored in the gas grid for use when the wind isn't blowing, or the sun isn't shining. As a mature carbon-reducing technology that produces biogas and biomethane by recycling organic wastes, AD is a reliable local energy source. The IEA has just published a dedicated [report on biogas and biomethane](#)¹⁷ that finds that the world's biogas and biomethane resources alone could cover 20% of global gas demand. According to the WBA [Global Potential of Biogas](#) report of 2019¹⁸, deploying the industry's full potential by 2030 could save [12%](#) of global GHG emissions and about [6%](#) in the UK alone. In other words, the technology to displace fossil fuels already exists.

4 - Show leadership in the build up to COP26

While switching an off button on fossil fuels is not feasible, it is time we become ambitious on enacting a just and fast transition to a green and safe future. This pandemic represents a real opportunity to start from today. What the world is missing to make this possible is leadership. Since the Trump administration has pulled the US out of the Paris Agreement, China has showed the world that even the world's biggest polluter can see the economic (and human) reasons to create a green economy. Now with China going back on its steps, this is an opportunity for someone else to show leadership on the green transition and give the world renewed hope. We call on the UK Government, as the host of the next UN climate summit, COP26, to take up this role and to make the only sensible choice: a green response to COVID-19.

Yours sincerely,

Signatories (in alphabetical order)



The Anaerobic Digestion and Bioresources Association is the trade association for the UK anaerobic digestion (AD) and biogas industry. With its members, ADBA promotes the economic and environmental benefits of AD in the UK. ADBA's vision is to see the full potential of the UK AD industry realised so it can help the UK achieve its emissions targets and other policy goals, creating a truly circular economy. www.adbioresources.org



The Association for Decentralised Energy is setting the vision of a local, efficient, flexible, low carbon energy system which enables energy users to make the choices which work for them. The Association has more than 160 members active across a range of technologies and markets and is widely recognised as one of the leading industry bodies in the sustainable energy sector. www.theade.co.uk

¹⁷ <https://www.iea.org/reports/outlook-for-biogas-and-biomethane-prospects-for-organic-growth>

¹⁸ <https://www.worldbiogasassociation.org/global-potential-of-biogas>



The Electrical Contractors' Association (ECA) is the UK's largest trade association representing electrotechnical and engineering services organisations, at regional, national and European level. ECA's 2,700 members range from SME electro-technical businesses to nationwide engineering services organisations that employ thousands of professionals on major UK projects. www.eca.co.uk



The REA is the UK's largest trade association for renewable energy and clean technologies with around 550 members operating across heat, transport, and power. The REA is a not-for-profit organisation that represents renewable energy and clean technology companies operating in over fourteen sectors, ranging from biogas and renewable fuels to solar and electric vehicle charging. Membership ranges from major multinationals to sole traders. www.r-e-a.net



Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change. Our members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses. www.scottishrenewables.com



The UK Sustainable Investment and Finance Association (UKSIF) is the membership organisation for those in financial services committed to growing sustainable and responsible finance in the UK. Our vision is a fair, inclusive and sustainable financial system that works for the benefit of society and the environment. Our 240 members and affiliates include financial advisers, institutional and retail fund managers, pension funds, banks, research providers, consultants and NGOs. www.uksif.org