



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

Cc: The Rt Hon Simon Clarke MP, Chief Secretary to the Treasury, The Rt Hon Lucy Frazer QC MP, Financial Secretary to the Treasury, John Glen MP, Minister of State (Economic Secretary), Helen Whately MP (Exchequer Secretary to the Treasury)

RE: VAT on domestic renewable and energy efficiency measures

March 2022

Dear Chancellor

The solar industry welcomed the Government's recent call to accelerate the rollout of renewable energy. In light of the situation in Ukraine and the growing cost of living crisis for British households, now more than ever it is important that we press forwards with the energy transition. Clean, homegrown energy will insulate the UK economy and protect consumers from volatile and costly fossil fuel markets.

In this context, and in advance of the April energy price cap increase, we are writing to urge you to reduce the rate of VAT on domestic renewable and energy efficiency technologies, including all solar and energy storage technologies, to 0% as part of the Spring Statement. Doing so would be a fast and simple way to reduce the impact of the energy price crisis on consumers, and support further growth in the UK solar industry, which is expanding rapidly.

Cutting VAT on domestic renewables such as solar, domestic batteries, and heat technologies, such as heat pumps, would help to increase the resilience of individual households and reduce their energy costs, while also increasing our national energy security. This is because any heat or power a home produces and consumes itself does not need to be bought from the grid, reducing costs and increasing the UK's energy self-sufficiency. Rooftop solar can save individual households well over £400 per year in energy costs, while increasing property values at the same time.¹ Solar, for example, is also extremely popular: according to BEIS' public attitudes tracker, an astonishing 90% of people support its use.²

New research shows the wide range of benefits that reducing VAT would have. These include:

- Helping to decarbonise the UK's housing stock, enabling homeowners and

¹ <https://solarenergyuk.org/resource/the-value-of-solar-property-report/>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040725/BEIS_PAT_Autumn_2021_Energy_Infrastructure_and_Energy_Sources.pdf



- occupiers to make significant savings on their energy bills.
- Stimulating the green retrofit market, and the creation of skilled jobs to support the UK's energy transition.
 - Generating public revenue from increased employment and tax revenue associated with this.
 - Making other low-carbon support (such as grant schemes) go further.
 - Enabling the UK to take advantage of its EU exit and set independent VAT rates.

These benefits would come for a cost as low as £25 million.³ This is a very small amount in the context of the billions being spent to rescue energy suppliers which have gone out of business; it is economically prudent to support homeowners to take charge of their energy costs, while also addressing climate change head-on.⁴

Eliminating VAT would also help the UK to meet the solar industry's ambition of deploying 40GW of solar by 2030. This is in line with what the Climate Change Committee has said is necessary to reach net zero by 2050, and the target has been endorsed by Energy UK, Renewable UK, the Nuclear Industry Association, the Energy Networks Association, REA, Regen, Scottish Renewables, Greenpeace, WWF, the Green Finance Institute, E3G, Friends of the Earth, and others.⁵

The solar and energy storage industry has a major role to play in fiscally sound measures to address the energy and climate crises. We urge you to reduce VAT to 0% on domestic renewable and energy efficiency measures.

The industry would welcome the opportunity to meet to discuss what it can do to help advance the government's agenda.

Yours sincerely,

Chris Hewett
Chief Executive
Solar Energy UK

Brian Berry
Chief Executive
Federation Of Master Builders

Lily Frencham
Chief Executive
Association for Decentralised Energy

Claire Mack
Chief Executive
Scottish Renewables

Dr Nina Skorupska CBE
Chief Executive
REA

James Talman
Chief Executive
National Federation of Roofing Contractors

³ https://static1.squarespace.com/static/5aafe1e7620b85e2e8c9ba88/t/6177bd4f52d15354d905861e/1635237202139/MCSCF+-+Making+Zero+Carbon++Zero+VAT+24+Oct_.pdf

⁴ <https://www.ft.com/content/0de3611b-3d8b-4bc9-9930-6bfc0577cd48>

⁵ <https://www.energynetworks.org/newsroom/energy-industry-unites-and-calls-on-government-to-build-back-greener-ahead-of-cop26>



Merlin Hyman

Chief Executive
Regen

Bean Beanland

Director for Growth and External Affairs
Heat Pump Federation

Doug Parr

Chief Scientist and Policy Director
Greenpeace UK

Juliet Phillips

Senior Policy Advisor
E3G

Steve Bratt

Group Chief Executive Officer
ECA, Electrical Contractors' Association

David Cowdrey

Director of External Affairs
MCS Charitable Foundation

Mike Childs

Head of Science, Policy and Research
Friends of the Earth