

A Duguid



Prime Minister

You have asked E(EA)
to look at this: the
Commit Secretary's points
can be considered there.

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PRIME MINISTER

cc Members of E Committee
Sir Robert Armstrong

29/11

ENERGY CONSERVATION IN THE DOMESTIC SECTOR

1. I have the following comments on Michael Heseltine's minute of 6 November and David Howell's of 15 November.
2. I agree entirely with your view, as expressed in your Private Secretary's letter of 19 November, that we cannot afford at present proposals that would add to public expenditure. In the present very difficult economic climate I believe we must take this line even where, because of underspending, there is room for them within the planned totals. Spending money which would otherwise not be spent increases the PSBR. I therefore remain opposed to Michael Heseltine's proposal for a 90 per cent homes insulation grant for the elderly who have incomes at or below supplementary benefit level. I am also far from convinced that it would lead to a significant increase in the take-up of grants and therefore in the number of houses being insulated, as David seems to assume.
3. More generally we need to ensure that our approach to energy conservation is consistent with our general philosophy on public expenditure and subsidies. In my view the homes insulation grant scheme inherited from Labour is not: it assumes that every householder needs the incentive of a £50 grant - from the taxpayer - to insulate his loft. If we have realistic fuel pricing the saving in fuel bills itself would be sufficient incentive. This suggests to me that we could safely abandon the present general grants scheme. We should certainly not contemplate its extension to other forms of insulation.
4. David Howell proposes increases in insulation standards for new dwellings. If we are to consider this we shall need to know the implications for public expenditure. If we decided to adopt higher insulation standards for public sector new housebuilding it would not follow that the extra costs should be met by Government subsidy: the benefit will accrue to the tenant and should be reflected in the rent.

5. I am sympathetic to David's suggestion about reducing the maximum heating limit in public and commercial buildings. I also support his idea of a general discussion and welcome your suggestion that this should be in E(EA). I should like my officials to be associated with the preparation of the appraisal to which David refers.

6. I am copying this to members of E Committee and to Sir Robert Armstrong.

W. J. B.

JOHN BIFFEN

27 November 1979