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REPORTER: Julian O'Halloran

PRODUCER: Gregor Stewart

EDITOR: David Ross

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ACTUALITY IN MONTREAL

MAN: Let us be driven by the responsibilities we have and feel – responsibilities to our respective countries, to humanity, to our one and only planet.

O’HALLORAN: As UN member nations meet in Montreal to thrash out how to combat climate change after 2012, Britain is in the spotlight. During eight years in power, Tony Blair has projected the UK as a world leader in the battle to prevent dangerous global warming becoming catastrophic. Ministers were so confident of hitting Britain’s Kyoto target to cut greenhouse gas emissions that they went for a higher goal of reducing the main climate gas, carbon dioxide, by 20% by the year 2010. But Britain is now further than ever from hitting that target, and File on 4 has learned that the government could achieve as little as an 11% cut. That would begin to endanger the Kyoto target. The measures taken so far just aren’t delivering the required cuts. CO2 emissions, far from falling, are now steadily rising. In two key areas - power generation and home energy - we investigate why the policies aren’t working.

SIGNATURE TUNE

ACTUALITY IN CONSTRUCTION LIFT

O'HALLORAN: I'm in a construction lift going up the outside of a twenty-five floor office tower in Manchester, Britain's tallest outside London. I'm going to see a big new renewable electricity project, generating power from sunlight and thereby hopefully cutting carbon dioxide emissions, blamed as a cause of climate change. Current from the solar power system on this building was switched on last month by no less a figure than the Prime Minister, Tony Blair.

ACTUALITY OF TONY BLAIR LAUNCHING SOLAR SCHEME

BLAIR: I'm delighted to be here to perform the opening ceremony for the solar tower and the panels. It's important that projects like this are supported, so many many thanks, well done, and I'm now going to press the button, as they say

ACTUALITY AT CIS

MONAHAN: We're stood here now and we're looking roughly about 400 foot up at a wall of solar panels, blue solar panels that are emerging across one entire end of the building. Light, which obviously originates in the sun, about 150 million miles away, will come down and will hit one of these blue panels and it'll knock a little photon off the exterior of the panel, which essentially will work itself through a whole series of wires to be powering the building or flowing into the grid.

O'HALLORAN: And, because it doesn't need full sun, it'll work even in Manchester's notoriously dismal weather. Paul Monahan, head of sustainable development at the Cooperative Insurance Society, was delighted the Prime Minister came to launch the project. But he's less impressed by the government's record in helping renewable energy sources, like solar power, break through to win a mass market.

MONAHAN: I think there is a lot of good intentions in government to try and tackle climate change, although the actions haven't really matched up to that right now. We're still in a position of 3% of electricity in this country coming from renewable sources, and it's just not good enough.

O'HALLORAN: The panels in Manchester were supplied by Sharp UK. They, and other solar power firms, rely on public funding, because the market is still in its infancy. They need government backing to maintain investor confidence. Up till now, they say, Whitehall has led them to believe this support would continue at a steady, predictable level over many years. But Sharp UK's managing director, Paul Molyneux, says the funds have now been sharply cut back.

MOLYNEUX: In the Energy White Paper that was delivered in 2003, there was a clear message, there was a strategic aim that the UK would be competitive amongst other nations in developing solar electric in particular. So we had a ring-fenced commitment which was at least to a ten year period of sustained financial support to allow this fledgling industry to really grow. The problem is that they have just ceased this ring-fenced investment.

O'HALLORAN: So by how much a year do you expect the funding for solar power to go down?

MOLYNEUX: Our annual funding is around the £14 million level, purely for solar electric, will fall to between £7 and £9 million on an annual basis over the next three years. The government are professing to be a leader in the fight against climate change and they take the opportunity to say that publicly, but we think there is a big difference between the rhetoric and the reality.

O'HALLORAN: Back in Labour's first few years in office, solar power companies had high hopes for the way policy was shaping. An earlier government White Paper raised the prospect of Britain becoming a world leader in solar power, next to Japan and Germany. The plan was to install the equivalent of 100,000 solar roofs by 2011. But Seb Berry of the Renewable Energy Association, says today Britain has moved hardly any way towards that target.

BERRY: We have got not that far down that road. We'll have about four thousand roofs.

O'HALLORAN: Four thousand roofs by when?

BERRY: By the end of 2006. Towards the end of the current programme. To put that into perspective, the German solar programme this year alone will install the equivalent of something like 200,000 solar roofs.

O'HALLORAN: And what was the Japanese target at that time?

BERRY: The 2001 White Paper referred specifically to the Japanese example, which at that point was a 70,000 solar roof programme, which of course the Japanese delivered several years ago.

O'HALLORAN: If Germany and Japan are doing so much better than Britain, why is that, do you think?

BERRY: The one common strand is long term public policy commitment and long term support on the part of Government.

O'HALLORAN: But in Britain the level of support has been much lower. Up to now it's been channelled through a specific fund to support solar power – the so-called Clear Skies programme. However, from next year solar firms will have to compete with other renewable energy sources for money from the new Low Carbon Building Programme. Environment Minister, Elliott Morley, denies that these changes betray indecision or loss of confidence by the Government.

MORLEY: We think solar is important, we think there's a role for solar, there is money for solar. But the exact amount of money for solar in relation to the whole range of technologies, I think solar has to negotiate in relation to the benefits it can offer.

O'HALLORAN: Well, exactly, and that's different from the situation where they believed before that they would get predictable amounts of government support each year over a much longer period to inspire business confidence.

MORLEY: Oh we want to encourage business confidence, that is important, which is why I do want to emphasise that there is money for solar available, but within the ...

O'HALLORAN: But not as much as before?

MORLEY: Well I'm not quite sure just how much of a gap there is. I think part of this argument is that there is a gap between the changeover from the Clear Skies programme to the new Low Carbon Building programme. And as I understand it, DTI, because they recognise there's a gap ...

O'HALLORAN: The Department of Trade and Industry?

MORLEY: That's right. They're advancing £1.5 million from the budget for the new low carbon building program to help try and smooth this gap in terms of funding.

O'HALLORAN: You see, a few years ago, the Government seemed to be talking in terms of matching the commitment of countries like Japan and Germany, but we're now told Germany's got the equivalent of over 200,000 solar roofs, Britain's got what? Just a handful, a few thousand?

MORLEY: Yes, it is true that Germany have made a decision to pour money into solar energy, and there's arguments for this which we acknowledge. However, what we're trying to do is encourage a range of renewables, rather than rely on one.

O'HALLORAN: The problem is that most of that range of renewables has, up to now, failed to make much of an impact. As a result the Government's target – to generate 10% of all electricity from renewables by 2010 – looks

O'HALLORAN cont: increasingly out of reach. So far these greener forms of energy account for just 3.6% of the power market, which Elliott Morley accepts is unsatisfactory.

MORLEY: I am disappointed by that, but I know that my colleagues in the Department of Trade and Industry do want to bridge that gap, they are committed to large scale renewable projects, and we want to see more of this.

O'HALLORAN: Well, the target is 10% of renewable generation by 2010, at the moment I believe the figure is 3.6% so the Government would seem to be rather more than just a little bit off course.

MORLEY: Yes, but the projection is that it'll be about 8% by 2010, at the moment, in terms of the current assessment.

O'HALLORAN: If that 10% target for renewables were missed by 1 or 2%, as you seem to be conceding is possible, that would be a big missed opportunity, wouldn't it?

MORLEY: I repeat, I would be disappointed to miss our 10% target. So I think there's some unknowns between now and 2010, where I do suspect that we will see some further quite large renewable projects come on-stream by 2010 which will help us towards the target.

O'HALLORAN: So, eight years after Labour came to power and endorsed Kyoto, Britain is still only about a third of the way to the renewable energy target. But there's another technology which could help to make big cuts in greenhouse gas emissions. Combined heat and power - where a local generating plant provides not just electricity for say a factory or neighbourhood, but heating and hot water as well. It's a highly efficient use of energy. And now the technology's been scaled right down to a size you can use at home.

ACTUALITY WITH SUE SEAL

SEAL: Okay, the boiler's outside. If you come out here, it's at full tilt at the moment. It's peak time on a very cold day, and we are taking our gas, producing our own electricity, and we export the electricity that we don't use.

O'HALLORAN: Sue Seal had her micro combined heat and power system installed at her house in Nottingham a few months back. When it generates more electricity than she needs, the spare power is sent into the local supply system. From that she's already had a refund on her bill. But it's the fact that she's taking less power from the supplier - because she's generating much of her own - that's saving her most money.

SEAL: We've been told it should be £200 off our annual energy consumption bill, and I think it's the way forward, that we need to be able to save energy as much as possible.

O'HALLORAN: What got you thinking that?

SEAL: I really believe we have to start making alternatives to our energy consumption. I can't be responsible for how much a power station emits or how much an aeroplane emits, but I can control a little of what's going into my house.

O'HALLORAN: So you can cut the carbon dioxide emissions that your house is responsible for by a little bit every year?

SEAL: I can try.

O'HALLORAN: So far there's only one brand of this so-called micro CHP on the market, supplied by Powergen Retail. They say that these units have the potential to make big cuts in greenhouse gas emissions nationally. But development manager, Jeremy Harrison, says the current rules and set-up of the electricity market bolster the dominance of old-style, less efficient power generators and stack the cards against new, small, independent players.

HARRISON: Various studies have shown that about half the homes in the UK would be suitable for micro CHP. That's about 12 million of the total homes in the UK. And if that is the case, with this kind of microgeneration system, you would actually have the same generating capacity as the entire nuclear industry has today.

O'HALLORAN: So this technology has a huge potential, but what are the obstacles you face at the moment?

HARRISON: So far it has been very difficult to persuade the Department of Trade and Industry to develop simplified trading systems and distribution systems which level the playing field and allow microgeneration to compete on the same basis as central plant can.

O'HALLORAN: The way things are going at the moment, how near is this technology in fulfilling its potential, would you say, in the coming years?

HARRISON: A recent study showed that by 2020, if things continue on the same basis as they are today, then we are unlikely to achieve even 10% of the potential capacity of micro combined heat and power.

O'HALLORAN: Meanwhile, the bigger industrial-sized combined heat and power units, mostly powered by gas, have actually suffered severe cutbacks. The Government does have a target - to generate up to 10,000 Megawatts of electricity by this method by 2010 - equal to the output of about five big traditional power stations. But again, it's well off course. Sayed Ahmed of the Combined Heat and Power Association says that the biggest blow it suffered came in the shape of the New Electricity Trading Arrangements, introduced five years ago.

AHMED: In the run up to the introduction of the New Electricity Trading Arrangements, Government said that CHP, combined heat and power, and renewables should prosper as a consequence of their introduction. In fact, the very reverse happened. A report was published around about the end of 2001, which showed that CHP generation, combined heat and power generation, had reduced, and exports to the market had reduced by 61%.

O'HALLORAN: So this greener, as you would see it, form of generation was actually going down then from just 2000 or round about then onwards?

AHMED: Correct, it was severely impacted and we still see that impact today. The industrial CHP sector has broadly, with very few exceptions, been decimated.

O'HALLORAN: Been decimated?

AHMED: Correct. Our members see a real paradox here. They see that combined heat and power is recognised by Government as a low carbon technology, they see that Government state time and time again a commitment to the 10,000 megawatt target. However, they see no real policies in place to help deliver that 10,000 megawatt target. Unfortunately the industry is even more pessimistic and we believe on present trends will only achieve around about 6,500 megawatts - a significant shortfall and a significant blow to the Government in terms of achieving its carbon targets.

O'HALLORAN: So, another type of more climate-friendly generation, which will fall well short of its target. Environment Minister, Elliott Morley, insists the Government is still keen to expand the role of combined heat and power. But he concedes that, missing the 2010 target for its share of power generation, would be a missed opportunity.

MORLEY: Again, if that is the case, I would be disappointed. However, from what I know about what is taking place in the investment plans within our economy, I'm quite encouraged by what I am seeing taking place in the background. Now, of course, I can't guarantee at this stage all that will materialise, but I am confident that we are going to see some significant new investment in this area.

O'HALLORAN: At the moment there's a company out there trying to sell micro combined heat and power units to homeowners, and they just find a whole series of problems and obstacles which don't give them a level playing field, they feel?

MORLEY: Well we're trying to address that, we want to make sure that that is an option for people. I want to see in the future houses which are actually exporting energy from the house.

O'HALLORAN: So why can't you do more as a Government to clear away all these regulatory hurdles and obstacles to give these small independent generators a fair chance?

MORLEY: That's underway as we speak. The work is being done by DTI. We have an interest in these issues. So we are committed to resolving these difficulties.

O'HALLORAN: The slow progress in removing major obstacles to both CHP and renewables mean the Government is still badly hamstrung in its efforts to curb greenhouse gas emissions. Overall, since Tony Blair came to power in 1997, carbon dioxide output has actually gone up by 3%. Britain's self-imposed target is to cut these emissions by 20% by the year 2010. But now, year by year, the Government is being driven further off course. Nicola Saltman, climate change policy advisor for the World Wildlife Fund, says future projections are worse.

SALTMAN: The UK Government is failing quite miserably in hitting the target. Late last year the UK Government itself admitted that we were well short of meeting the target, that we were actually going to deliver 14% reductions rather than the 20% reduction by 2010. Recent figures indicate that it's actually 11%, so the task to meet the 20% target is even going to be greater.

O'HALLORAN: And when you say recent figures, what are you talking about there?

SALTMAN: Recent figures from within Government. Our political intelligence has shown that it could be as low as 11% reduction.

O'HALLORAN: Now if that happened, would that not put the Kyoto Treaty targets in danger as well?

SALTMAN: Well the Kyoto target is a greenhouse gas emissions target – the 20% target is solely carbon dioxide, so you're talking about different gases here. But the UK Government is not sitting in a safe position with Kyoto either.

O'HALLORAN: The Government says it's still on course to hit the Kyoto target, but the Environment Minister, Elliott Morley, concedes that on the big 20% CO2 cuts target, stronger measures are needed. And he confirms that the very low figure of 11% – little over halfway to meeting the target - cannot be ruled out. The first time the Government has publicly conceded such a gloomy forecast.

MORLEY: If we do nothing from the moment, the current projections is that we would get to a target of between 11 and 14% by 2010.

O'HALLORAN: It could go down as low as 11%?

MORLEY: Oh that is a minimum, that's the minimum, yes, in terms of reduction in CO2 between 11 and 14 is the kind of range. These projections change all the time, because it relates to economic activity, price of oil, price of gas, so they go up and down. But that's if we do nothing. Now we have no intention of doing nothing.

O'HALLORAN: But if the target of 20% cut in carbon dioxide emissions were missed by 9%, that would be a bit of a disaster wouldn't it, for the Government's credibility?

MORLEY: Yes, but that's not going to happen. This is a projection, it's a worst case scenario, it changes every week in relation to the factors in it.

O'HALLORAN: But what's been happening for the last eight years, because in most years carbon dioxide emissions have been going up, not down, since Labour came to power in 1997?

MORLEY: No I think you'll find it's been a range of figures which have gone up some years and down in others.

O'HALLORAN: But overall, since Labour came to power, carbon dioxide emissions have gone up, not down?

MORLEY: It was a very small increase since 1997. And what we want from this is a downward trajectory. Now for the last three years they have been going the wrong way, that is true, now we have to reverse that.

O'HALLORAN: One major reason for the numbers going the wrong way is our increased use of electricity generated by the fossil fuel most blamed for damaging the climate.

ACTUALITY AT POWER STATION

MAN: We're looking at the turbine hall of a coal-fired power station. In it we've got four 500 megawatt turbines producing a total of 2000 megawatts of electricity. You can see the cables that connect the turbine hall ...

O'HALLORAN: West Burton power station in Nottinghamshire – burning coal to keep the country's electricity supplies running. Its owners, EDF, have recently spent over a £100 million on cleaning up the kind of emissions that cause acid rain. There's been other investment to cut carbon dioxide – but emissions of that have come down only 5 or 6%. And CO2 output from this and coal-fired stations generally is still getting on for twice the amount that gas-fired stations put out. For the Government to have a good chance of hitting its targets, it needed coal-fired generation to go down. The bad news for ministers - and the climate - is that generation from these stations has been rising steadily. And EDF's director of environment, Ravi Baga, says you needn't look far to see why.

BAGA: The main reason is the increase in electricity demand. Demand has been growing in excess of 1% per year. So that accounts for some of increase and we've also seen some very high gas prices, which has meant that coal is far more competitive compared with burning gas in gas turbines.

O'HALLORAN: But wouldn't it be better if the share of electricity by coal-fired generation in this country came down from 33% to something like 25%? That would help us to meet the targets, wouldn't it?

BAGA: Sure, absolutely. So what we need to do is provide the framework that will allow people to invest in other technologies, that's going to drive the share for coal-fired generation down to that level.

O'HALLORAN: So you, the generators, wouldn't be unhappy if that happened?

BAGA: No. Climate change is a serious issue. We accept that. And this is why we've been very vocal in requesting an urgent review of the energy policy, which will hopefully provide some of the background to making those investment decisions that are going to take us forward.

O'HALLORAN: That energy review is ongoing and is due out next summer. But previous reviews have done little or nothing to curb the role of coal. Its share of power generation has risen from around 30% five years ago to around 33%. In addition, the total amount of electricity generated from all sources has steadily gone up. So coal has a bigger slice of much larger cake. As a result, carbon dioxide emitted from coal stations has risen very sharply. This is in contrast to the very advantageous position Labour inherited in 1997, says Keith Allott, of Environmental Data Services.

ALLOTT: There had been a steady decrease in CO2 emissions from power stations throughout the 1990s, and this fell to a lowest level in 1999, when power stations only released about 40 million tons of carbon. The Government and others assumed that this trend was going to continue. However, since 1999 things have gone into reverse and emissions from the power sector as a whole have increased by nearly 20%.

O'HALLORAN: So now they're at around, what, about 47 million tons of carbon a year compared with 40 million in 1999?

ALLOTT: That's right. There have been no effective policies in place to put a cap or to control the growth in CO2 emissions that we've seen in recent years.

O'HALLORAN: Indeed, this increase of close to 20% in the CO2 emissions from burning coal is more than enough to wipe out all the carbon dioxide cuts so far obtained from renewable energy. But Environment Minister, Elliott Morley, says coal is still important to the economy, and to security and diversity of energy supply, and it can't just be swept aside.

Given that coal is the most damaging fuel in terms of carbon dioxide emissions, why hasn't the Government taken action to limit coal-fired power generation in the last eight years?

MORLEY: Well, actually coal-burning generation has actually fallen back in the last few years and I do expect to see some changes ...

O'HALLORAN: Well hang on, it hasn't, it's increased its percentage of power generation from 30% in 2000 to a level of about 33, even 34% in the last four years?

MORLEY: Yes, that's existing plant, I'm talking about the total, the total capacity in the coal burning fleet. But the fact is that it's a big, it is a big ...

O'HALLORAN: But even the amount, even the amount of coal being burnt in power stations has gone up.

MORLEY: Yes, there's no denying that, and in fact that's one of the reasons why we've had an increase in emissions because of that increased coal burn, which is driven by the fact that the economics of coal is more advantageous in the moment because of the very high price of gas.

O'HALLORAN: But my question was, why hasn't the Government done more to limit the amount of coal being burned?

MORLEY: Because it's a free market, because it's a market-based system, and when you have 30% of coal generation, you can't seriously just close that down.

O'HALLORAN: But this vast extra coal burn has more than wiped out any carbon dioxide benefits you've obtained so far from renewable generation.

MORLEY: It won't as more and more renewable comes on-stream, but there is no doubt and I freely concede that there has been an increase in CO2 from increased coal burn, and I want to rectify that.

O'HALLORAN: But for now, electricity demand goes up and up, and there's no rapid progress in meeting that demand through renewable energy or combined heat and power. And even a new era of nuclear power stations, if agreed, could still take around fifteen years to deliver power. So how well has the Government been doing in its attempts to halt growing energy demand by making our buildings more energy efficient? So far the results have been questionable.

ACTUALITY ON ABERDEEN HOUSING ESTATE

O'HALLORAN: I'm walking through Kingswells, a semi rural area on the outskirts of Aberdeen among a group of modern housing developments. Just here around me the houses are mostly upmarket, detached, brick and pebbledash homes, built in the late 1990s. And in theory they should be well insulated, good at keeping warmth in and cold out, and thus play their part in limiting greenhouse gas emissions. When city officials began to investigate energy efficiency across Aberdeen, they expected the worst results to come from far away from here, from older housing near the centre - but they got a shock, when they found that some of the most striking evidence of heat loss came from these very modern homes right here.

ACTUALITY WITH JANICE LYON

LYON: What we're looking here is an aerial thermal image of the whole of the city of Aberdeen. What surprised us was this large red area here.

O'HALLORAN: What does it mean if that stands out red?

LYON: It means that there is a far higher level of heat loss from those houses than you would expect.

O'HALLORAN: Janice Lyon, home energy coordinator for Aberdeen City Council, says that after some worrying evidence from aerial thermal imaging, she asked an authoritative national body, the Building Research Establishment, to investigate. They looked at seven homes in Kingswells. She says that in a number of those very modern houses, poor insulation and draughts were found, despite energy efficiency measures in the building regulations, and an inspection system meant to enforce those regulations.

LYON: There was nothing wrong with the design of the houses. They were designed to have the level of insulation and the heating systems you would expect to be modern efficient houses. What seems to have happened is that, whilst on site being built, the insulation was done in a very quick, haphazard way, there was poor workmanship and there were gaps in the insulation. If you look at some of these photographs we have of the houses, we have got a very high level of heat loss around the bottom foot of the walls, or we have an area here where there is no insulation in that panel in the wall. Another one here where they've moved all the insulation out of the way in order to do electrical work or plumbing work and the insulation's not been put back again. So now there are howling gales come through those gaps.

O'HALLORAN: But while those faults were soon put right, what about the other 140,000 homes that are built every year? A representative sample of a hundred homes nationwide was investigated by the Building Research Establishment. And, says its managing director of environment, Professor David Strong, faults much like those found in Aberdeen were revealed to be widespread across the country.

STRONG: About 50% of houses failed that study and showed significant non compliance with the requirements of the building regulations in one respect or another.

O'HALLORAN: How much of a shock were these studies, would you say?

STRONG: I think they came as a surprise to us all. We had expected to see a certain level of non compliance, but this level, I think, was a shock to many of us, and certainly I think Government recognised the need, the vital need to improve the compliance verification and enforcement regime in the UK.

O'HALLORAN: Isn't there an inspection system and why didn't it work for these homes?

STRONG: There is an inspection system, building control and what are called improved inspectors supposed to check that all these measures have been properly installed. Clearly, in these houses either they didn't check or they missed the point that in a significant number they were failing.

O'HALLORAN: But there is an even bigger challenge for Government, because energy measures at present in the building regulations apply only to new homes. Brian Scannell of National Energy Services, a company which specialises in home energy efficiency, says that if homes are to play a part in helping the Government to meet its climate targets, it's the vast existing housing stock that has to be tackled.

SCANNELL: We have 21 million, 22 million homes in the UK and we only construct properties at the moment at around 100,000 per year. Even if that was to double, you're still dealing with a very small percentage of the housing stock every year, and our rate of demolition in properties is tiny. There are actually very few properties ever taken out of the housing stock, so dealing with the emissions from the existing housing stock is an incredibly important area if we are to tackle the problem of the overall emissions from the housing stock.

O'HALLORAN: One way existing homes keep ramping up energy demand is when owners add on rooms. There are 300,000 planning applications a year for home extensions. This year the Office of the Deputy Prime Minister, responsible for housing, came up with a key proposal to force everyone adding extensions or doing loft

O'HALLORAN cont: conversions to improve energy efficiency through the rest of the home to prevent a significant rise in its energy use. The change was to be imposed in the new building regulations which come into force next year. And, says Brian Scannell, it had wide support from a broad energy efficiency lobby.

SCANNELL: Unfortunately, that got dropped at the eleventh hour and it's putting back by probably five years a measure that everybody thinks is actually fundamentally essential.

O'HALLORAN: So why do you think the Office of the Deputy Prime Minister has dropped that requirement from the new building regulations?

SCANNELL: Of course one can only speculate, but there was inevitably some concern about an expansion of regulation and undue or onerous pressure being placed on people, but it is a very unfortunate missed opportunity.

O'HALLORAN: And its impact will be what?

SCANNELL: Well, it means that properties where extensions are being made - the odds are that their total emissions will increase and they will be taking us in the wrong direction, given an overall objective of reducing CO2 emissions.

O'HALLORAN: The late decision to jettison the measure is said to have infuriated ministers at the environment department DEFRA, who share the responsibility for hitting the climate change targets, without controlling most of the levers. Tony Grayling, of the Institute for Public Policy Research, says there's a simple explanation for why some departments are lukewarm on tougher climate change measures. It turns out they're not signed up to a so-called public service agreement, which would make it a priority for their department.

GRAYLING: Currently, only three departments share responsibility for reducing emissions. That's the Environment Department, the Trade & Industry Department and the Transport Department, which recently gained responsibility. But two of the key departments that have some of the major levers over emissions are the

GRAYLING cont: Office of the Deputy Prime Minister and the Treasury, and they don't share the public service agreement target on reducing emissions.

O'HALLORAN: But I would assume most people would think that, if you're in the Government, you're committed to meeting the Government's climate change targets.

GRAYLING: Well, if your department has a public service agreement target, it'll give high priority to that issue. If it doesn't, it will give high priority to the areas where it does have a public service agreement target. By missing out key departments from the commitment to reduce greenhouse gas emissions, the Government is acting with one hand tied behind its back. The Office of the Deputy Prime Minister appears to have been one of the most recalcitrant departments in the course of the review of the climate change programme, and it's been very difficult for environment ministers, including Elliott Morley and Margaret Beckett, to gain leverage over their colleagues in the ODPM, who haven't seen it as much of a priority to reduce emissions as they have to build cheap homes.

O'HALLORAN: And, for ODPM, not being signed up to that public service agreement - or PSA - could become more significant as it drives through the masterplan to massively accelerate home-building and deliver nearly four million new homes in the next twenty years. A plan, which one estimate suggests could add 8% to CO2 emissions from the housing sector. Which seems to further underline the need to tackle existing housing as well. The Office of the Deputy Prime Minister rejected our request to interview the Housing Minister. It was left to the Environment Minister, Elliot Morley, to field our questions.

Isn't the problem with improving the building regulations that that simply doesn't attack the vast existing housing stock of 21 million homes?

MORLEY: You're quite right. The big challenge, of course, is the existing stock, as you quite rightly say. Now we have been tackling that through such things as the energy efficiency commitment, which is where the energy companies are obliged to give financial support for upgrading insulation and energy within the homes, but also we are at the moment conducting a review in terms of further steps that we can take to improve the energy efficiency of our existing housing stock.

O'HALLORAN: But one of the Government's own proposals, when it came to improving the building situation, was to compel homeowners building extensions to compensate by making energy-saving improvements in the rest of the home. Why was that clause dropped? Do you know?

MORLEY: Yes, we've talked to ODPM about this. ODPM's view was that, for some very small extensions to people's homes, the benefits outweigh the disadvantages and the bureaucracy. When you look at the effect that would have on the overall housing stock, it was miniscule, and I want more than that. And so what we've agreed ...

O'HALLORAN: But that can't be a reason for dropping ...

MORLEY: No, no it's not being dropped, if you allow me to finish it. What has happened is that there's been an agreement that there would be a complete review of all building stock, including energy efficiency. So it hasn't been dropped, it's all in the review.

O'HALLORAN: The idea may not have been dropped, but the clause that would have imposed that from next year on people doing extensions, that was dropped from the new regs.

MORLEY: Yes, it's not currently in the new regs, I don't think that's been abandoned, but it is now within the total review about the steps that we can take.

O'HALLORAN: But how on earth does it come about that a department with such big powers in terms of delivering cuts in carbon dioxide emissions is not signed up to the public service agreement on climate change, namely the Office of the Deputy Prime Minister?

MORLEY: Yes, we don't have a joint PSA with ODPM, we actually have a joint one with the Department of Transport which is very helpful, I have to say. Public Service Agreements are reviewed from time to time, we are coming into the

