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CRISIS……..WHAT CRISIS?

In every town and city across the UK the picture was the same. Queues of people snaked their way down the high street. Not since the Tories paid people to queue in their infamous 'Labour isn't working' poster have we seen anything like it.

The people in today's queues were not actors. They were customers of Northern Rock Bank, all fearing that the system was about to do a bunk with their life savings. This almost certainly wasn't true, but no amount of government assurances were going to convince people otherwise. It is a measure of how fragile public confidence is in the banking system and how banks themselves have started to drift into the murkier areas of money raising and creating credit.

Northern Rock won't be the only bank that faces a crisis of public confidence. Already the share value of the Alliance and Leicester and Bradford and Bingley banks have nosedived by 30% and 15% respectively. We ought to remember that these new banks were once building societies. Their track records and reputations were built upon prudent investment and sensible lending. Their loyalties were to their savers and borrowers Allowing building societies to convert into banks brought in a new layer of interests. These were the interests of the shareholder…voracious, remote, fickle and insecure. They drove some of the new banks into reselling their own debts in order to raise more money to fuel an apparently unending housing bonanza. It was only going to ever end in tears.

The worry is that this episode will teach us nothing about the dangers of relying on inherently speculative money markets. It may even make it harder to face the real crisis in housing and the environment that is heading our way. There is a compelling case for a massive redirection of resources into sustainable housing and energy solutions. This is not about creating five eco towns or villages in Britain. It is about what we do with the 25 million houses people live in today and how we make them sustainable for the future. A government panic about the crisis facing high street banks could end up closing down the financial channels for the massive redirection of sustainable investment that needs to be taking place.

Fuel prices in Britain have risen by 91% since 2003. A brief downturn in price rises hides the fact that it's all going to come much harder during the next five years. With very little press coverage the International Energy Agency produced its assessment in July of the next five year's trends in oil markets. A few extracts will give you the flavour of their conclusions –

…"this report sees increasing market tightness beyond 2010, with OPEC spare capacity declining to minimal levels by 2012".

"It is possible that the supply crunch could be deferred – but not by much".

"Not only does oil look extremely tight in five years time, but this coincides with the prospects of even tighter natural gas markets at the turn of the decade."

The best hope that the report holds out is for a slow down in the growth of the global economy. For many this would mean a crash. Even for the rest, however, there is little that would seem to stand in the way of inexorably rising fuel prices. This is not 'Peak Oil'. It is simply the mismatch between existing supply and rising demand for energy. For the fuel poor the outcome could be disastrous. We have to move into a fundamental rethink of sustainable energy markets for the 21st century.

The legacy of the Blair government has put Britain in a really difficult position even to connect to these challenges. Deregulated energy markets are obsessed with the short-term. Energy companies compete with each other around today's lowest prices. Other parts of Europe already plan around longer term markets and energy security. British companies fight for market share and sell you increased consumption. They know that climate change is a crisis that is already beginning to happen, but none have any idea about how to move towards a system that sells less energy consumption rather than more.

The government isn't in any better position. It too has sold itself to short-term market considerations. There is fine talk about setting new standards for zero-carbon house building post 2016. The trouble is that the house building industry has no urgent desire to make this shift and wants to put it off for as long as possible. By the time Britain gets round to building any eco towns or villages Germany will have turned between 40 and 60 of its existing cities into sustainable energy ones. One of the reasons they are able to do so is that German cities are able to plan citywide strategies that require sustainable energy and water recycling to be incorporated into everything that is built. Moreover their cities are able to compete with each other to be more ecological than the next.

Labour Ministers are currently considering Draft Planning Guidelines that would stop British cities doing the same thing. The so called 'Merton Rule' – where a borough can introduce a requirement that all new buildings contribute at least 10% of their own energy requirements – is to be scrapped. Local authorities will be allowed to identify specific sites within their boundaries where such a requirement can be made. But policies that run across the authority as a whole would become illegal.

The house building industry have been incredibly successful in convincing Ministers and civil servants that we cannot allow British cities to plan on the same scale that their continental counterparts can do. It is a complete piece of sophistry, but their argument is that such freedoms would result in chaos. Cities that were able to set higher and higher standards for sustainability would (they claim) create complete confusion in the building industry. It seems perverse that something that creates excitement and dynamism in Germany would only confuse us Brits. It's not just the builders who resist such change. The most senior civil servants advising ministers argue that we cannot allow Councils to put energy generation (or water recycling, or passive ventilation systems) into planning conditions because this would represent 'confusion of purpose'.

I can see the same civil servants, 150 years ago, making the same argument about sanitation – 'Toilets? In houses? Absurd! People have bed pans, and windows to empty them from. If there is a sanitation problem then Councils should just wash the streets more often.' Today, hopefully, you couldn't get permission to build a house without sanitation, but in its time this was a revolution in our thinking about the built environment. So it is with energy.

We need a revolution in our thinking and in a small way we are starting to do this in an inner city community within my own patch in Nottingham. The Meadows O-zone project plans to take an area of 4,000 houses – some old, some 1970's – and attempt to turn it into a zero-carbon energy community. It begins from the poor rather than the rich. And it will look to create a different sort of energy market; one that sells long-term energy security rather than short-term consumption. To do so, we are setting up an energy services company that will belong to the community itself, and with whom energy companies will be invited to bid to be long-term partners.

Energy companies would love to have long-term contracts. As citizens, however, we have the right to change energy suppliers providing we give 28 days notice. None of us would sign up for longer term contracts because of a belief that energy companies are such a bunch of thieves, they would hike up energy charges even before the ink of our signature had dried. We all get locked into the short-term.

What the Meadows O-zone project will do is create a company in which the community are the stakeholders and in which we enter into long-term contracts with ourselves. It is the company that then enters into a long-term relationship with the energy sector, but the terms of this relationship are fundamentally different. The long-term contracts will allow us to draw down on the income stream in order to massively upgrade the quality of peoples housing. The biggest carbon (and cost) savings are to be found in reducing the amount of energy needed to provide thermal comfort.

The intention is also to install energy generating systems in, on, under, or around peoples homes so that they become suppliers of energy and not just consumers of it. The plan is to install such systems for free, with the energy company recovering its costs from the energy generated, and sharing profits with the household and the community.

Elements of the idea can already be found in countries that are developing decentralised energy systems rather than the outdated grid systems of the last century. They can also be found in countries who have feed-in tariffs that pay citizens preferential rates for the clean energy provided from their own homes. We just plan to put this together in a more coherent and visionary way. In some respects it is an idea that also leads directly back to the high street queues.

In the early part of the nineteenth century towns and cities around Britain began to develop their own gas, electricity and water companies. The driving momentum behind this era was the desire to provide energy security for local citizens. Often it is referred to as the era of gas and water socialism. The funding for this transformation came from people who put their money into local bonds and building societies. This became the engine for the transformation.

These are the same people who have been standing in today's building society queues. They are savers not speculators. They look for ways of securing the future rather than exploiting and destroying it. They look for vision more than for speculation. it isn't the people we need to change only the institutions.