

Environmental Audit Committee

Oral evidence: Energy Efficiency of Existing Homes, HC 346

Wednesday 4 November 2020

Ordered by the House of Commons to be published on 4 November 2020.

[Watch the meeting](#)

Members present: Philip Dunne (Chair); Duncan Baker; Barry Gardiner; Mr Robert Goodwill; Ian Levy; Marco Longhi; Caroline Lucas; Cherilyn Mackrory; John McNally; Alex Sobel; Claudia Webbe; Nadia Whittome.

Questions 77 - 163

Witnesses

I: Claire Tracey, Chief Strategy and Sustainability Officer, Nationwide Building Society; Gavin Dick, Local Authority Policy Officer, Residential Landlords Association; and Dr Rhian-Mari Thomas OBE, Chief Executive, Green Finance Institute.

II: Jonathan Ducker, Head of Regulatory Affairs, Kingspan; Mr Peter Smith, Director of Policy and Research, National Energy Action; Dr Joanne Wade OBE, Chief Strategic Adviser, Association for Decentralised Energy; and Robert Tiffin, Director, Ecotiffin.

Written evidence from witnesses:

- [Nationwide Building Society](#)
- [Residential Landlords Association](#)
- [Kingspan](#)
- [National Energy Action](#)
- [Association for Decentralised Energy](#)



Examination of witness

Witnesses: Claire Tracey, Gavin Dick, and Dr Rhian-Mari Thomas.

Q77 **Chair:** Welcome to the Environmental Audit Committee for the second session on our inquiry into energy efficiency of existing homes. We have two strong panels of witnesses today.

I would like to start by introducing the panellists for our first panel, where we are looking in particular at the set of housing stock that is owner-occupied and privately rented, so in private ownership, which is obviously the majority of the existing housing stock in this country. I am going to ask the panellists on our first panel to very briefly introduce the organisations they are from and their roles. I will start with Dr Rhian-Mari Thomas.

Dr Thomas: Good afternoon. Dr Rhian-Mari Thomas. I am the Chief Executive Officer of the Green Finance Institute.

Claire Tracey: Hi. I am Claire Tracey. I am the Chief Strategy and Sustainability Officer for Nationwide Building Society.

Gavin Dick: Good afternoon. My name is Gavin Dick. I cover energy policy for the National Residential Landlords Association.

Q78 **Chair:** Thank you. I am going to start with some questions initially about the scale of the challenge we have in front of us. There are 19 million homes in this country with an energy efficiency rating below C, of which 10 million are owned by individuals or are in the private-rented sector.

The Government have been consulting on raising the standard of energy efficiency through the EPC certification scheme to C and trying to achieve that by 2028. In terms of the owner-occupied sector that would require close to 10 million homes having improvement over the next, let us say, seven years because we are almost at the end of 2020. How feasible do you think that is?

Dr Thomas: I will start from a finance perspective, which is what I am here to opine on. That target of C by 2035, not even 2028, translates into an estimated investment of £65 billion. Therefore, from a financial perspective, clearly working with collaboration between private finance and public finance, it is eminently doable. However, the barriers will sit in other aspects of the market in terms of having a sufficient supply chain, installers and other real economy barriers that we are facing as financiers.

Q79 **Chair:** Thank you. Gavin, could you give me a perspective on feasibility from the landlord's point of view of such an enormous investment?

Gavin Dick: Yes. I think the challenge is significant. We know that. For the average landlord it is going to be around £10,000 to get them to a C by 2025 for new tenancies and 2028 for all tenancies. It should be built into a lot of landlords' continuous refurbishment of properties and many



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landlords are taking access to the Green Homes Grant. However, it will be a significant challenge to a lot of landlords to get their properties to the standard that is required due to the age of the properties.

Q80 Chair: I should have said I have declared in my registered interests that I have some property, and I am a beneficiary of a trust that has some property through the private-rented sector. Therefore I have some insights into the challenges and, of course, the disruption caused in introducing many of the energy efficiency measures that mean it is quite difficult to introduce while somebody is living in the property. I think we will get onto that later.

Claire, how do you think the minimum standards for tighter regulation of lenders encourage energy efficiency improvements in the owner-occupied sector?

Claire Tracey: Sorry, could you repeat the question? How would the minimum standards—

Chair: If we increase the standard of energy efficiency required in our properties and we see greater restrictions being placed on lenders in lending against properties as a result of the post-Covid recovery measures—we have seen banks tightening up their criteria right now—how are those two things going to encourage the amount of energy efficiency improvements that we require to meet the Government's targets to be adopted by owner occupiers?

Claire Tracey: As a bit of context from Nationwide, we are the second-largest mortgage lender in the UK. We have about 1.7 million households on our mortgage books and about 250,000 buy-to-let landlords. What we really need to do is to look at the entirety of the end-to-end picture. At a high level clearly we are all committed—we are committed and we are making a public commitment that we want to raise at least 50% of our mortgage books to C by 2030.

In principle I think it is a really important commitment, but what we need to do—we are member owned so we are looking at this from the point of view of our members—is that we have to ensure that the entire supply chain is in place so that people know where to get advice on how to do it, they have people they can find who they can trust who can do the work for them, and there is provision for people who cannot afford to get their home to the right standard, so that there is a just transition, particularly in areas of the country where the cost of retrofitting relative to the price of the property is very high and the financial payback is not there in terms of the level of savings you would make.

There is also a big data issue. There are issues with EPC ratings. In principle I think it is a good step but there are quite a lot of practical ramifications that need to be worked through.

I do think there is a long-term perspective. This is a very complex question so that is why this Committee is so timely. It is very important



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to have a very clear long-term plan so you can get a coalition and an ecosystem of private-sector companies galvanised about this, helping to make it a seamless journey for the individual.

Q81 Chair: You mentioned the cost of retrofitting in particular. Have you done any work to assess what the costs are to achieve an increase from E to C in energy performance certification?

Claire Tracey: Yes, we have started doing work in this space. Last year we made what we called a Green Additional Borrowing mortgage, and we made £1 billion of additional lending available to our members to help them retrofit their homes as part of our commitment in this space. What we are seeing is that the take up is not yet there. We have more supply funding available than we have demand for it because of these other barriers.

We have started having to look into what the cost of retrofitting would be, but the data is not very good. For example, we only have EPC ratings for about 40% of our mortgage book. We have to use a pretty sophisticated analysis to try to extrapolate out what the ratings are. There is a real gap in terms of that data knowledge that would allow us to really get granular about what the cost of retrofitting would be.

Q82 Chair: At the moment you do not have an assessment as to whether the Government's calculation is remotely correct?

Claire Tracey: I have not seen those numbers.

Q83 Chair: Rhian, do you have any information on how much it costs to retrofit a property?

Dr Thomas: The numbers I quoted earlier were based on BEIS figures, which I think the EEIG group have also validated. I think they are in line with the numbers that Gavin suggested, of £10,000 to £20,000 per property. That translates into the £65 billion figure.

Q84 Chair: I think the Government's figures are based on a sub-£10,000 figure, more like £6,500, but we will ask the Government that when we get there.

Can I just pursue that point with Gavin? Do you have any estimate of the cost of moving from E to C across different types of property?

Gavin Dick: I think this is where the challenge lies in that it is not just moving from an E to a C but it is actually post that as well. If you are looking at eventually the decarbonisation of housing, what you want is a policy of no regrets. If somebody is going to change their boiler and then change the pipework in the house, you want to make sure that pipework is also workable if you put a heat pump in in the future. Therefore a no regrets policy when you do the work is required.

A bit of work needs to be done around making sure people are making the right decisions to get a C and beyond a C as well. If you look at



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getting properties to a C you are probably looking at a new boiler, which is probably a few thousand pounds and maybe up to £3,500; probably new windows, which depends on the size of the property and depends on the age of the property but if you look at £1,000 a window for double glazing to bring that up to standard; insulation, probably for most houses it is a few hundred pounds and maybe up to £1,000 for the worst properties. It is when you get into the real problem properties that need external cladding, which is when the prices go astronomical and you start talking £10,000 per property. That is not the best use of money because you want to do them on big scheme projects where you can actually drive the cost down.

For a lot of properties it is probably under £10,000 but for quite a few properties it is going to go higher. Not only that but you have heritage buildings and those with covenants over them that do not allow works to take place. That will be a much bigger problem long term.

Q85 Chair: You mentioned £1,000 for insulation, which seems quite low. That would apply, perhaps, if it is loft insulation.

Gavin Dick: Yes.

Q86 Chair: If you have to do walls that would go up. You then have to redecorate and also rewire and, as you have mentioned, there is plumbing to ensure the plumbing is appropriate. You may even have to do floor insulation.

Gavin Dick: Eventually you will have to do all these things. That is where we say it is not just getting to an EPC C but it is a long-term decarbonisation strategy, what you are looking at is where the building has to get to eventually.

I know BEIS is working on this at the moment, a guide for people to know what to do and in what order to do things so that you do not have people putting stuff in that then has to be taken out. If they are going to put new pipework in it is best to put insulation in at the same time, as opposed to putting pipework in and then having to put insulation in at a later date, or putting insulation in now and coming back to put pipework in.

It is about planning for that long-term strategy and not just, "How do we hit C?" and then forgetting about it. It is how you go beyond C and do the works in the correct order, not having to come back again and again to re-plaster the wall or to get another electrician to do the same job after you have had to have it replaced. That is what is required and I do not think that piece of work has been done yet. Each person who is looking at it is coming at it from a different perspective, whether they are a homeowner or a landlord.

Q87 Chair: That argues that a significant amount of work should be done at the point of sale or at an upgrade point. The Scottish Government are talking about mandating such a change, I believe. What are your views



on that?

Gavin Dick: I know it is at consultation at the moment but I think the Government are quite clear they are looking at 2025 for new tenancies. If you are a landlord—as some of you have pointed out—and you get a new tenant in June 2025, potentially you will have to have your property at an EPC C or above. I think that is coming in the private-rented sector.

What might happen there is some of the poorer-rated properties will slip back into owner-occupier. I think that is what has happened already, into the private rented—some people have passed them into the PRS and need to do a lot more work. The poorer-rented properties potentially can go back into owner-occupier—which is probably not ideal—as people are looking to rationalise their stock, looking at what the cost is to bring the property up to a standard and beyond, and what the value of that property is today and what they could get for it as opposed to the works they have put into the property.

Claire Tracey: I have some updated figures. I think the cost of going from E to C, on average, would be £4,000 to £11,000 and up to EPC A would be somewhere in the region of £7,000 to £33,000 depending on the property.

It is also worth noting—certainly from our figures—that we have about 3% of our book that looks like it physically cannot reach EPC C because of the nature of the property.

Q88 **Chair:** Sorry, what percentage, did you say 3% or 30%?

Claire Tracey: Only 3%. There is 3% of our book that looks like, no matter what you do to it, you cannot get it to EPC C.

Q89 **Chair:** That is for the 40% of your book that you have assessed?

Claire Tracey: Yes. We extrapolate out, so we assume it is 3% overall.

Therefore, it is about thinking about how this transition will work. You are going to have people who are going to need to spend £30,000 or £10,000 to get there, how they are going to finance that, and then thinking about what you are going to do for those properties where, because of the nature of the property, people physically cannot get it to that level. That is a really important piece of thinking that needs to be done.

Dr Thomas: I want to make a comment around the question on mandating tighter minimum energy efficiency standards and possibly regulating financial institutions more tightly as well, building on the comments that Claire made earlier.

A need for privately owned properties could certainly accelerate the pace of retrofitting in the UK. However, from a finance perspective, we would need to think about the risk of creating a two-tier mortgage market where the low EPC households will be unable to sell or remortgage their property. It is likely that the very same properties would be the ones that



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would be unable to access finance to improve the property to reach the minimum standard. Therefore, we would need a more holistic approach of also providing suitable forms of public finance—for example grants, subsidies, interest-free loans or equity loans—that would be targeted at low-income low-EPC households in order to avoid creating mortgage prisoners.

We would need also adequate consumer protections to ensure that sub-MEES homeowners—as we might call them—are not in breach of their mortgage contract. This is a point that could go to the tightening of regulations as well. We would not want there to be technical defaults when that policy was introduced.

Very much the point Claire was making about needing sufficient lead-in time, and I would add to that a sufficiently high-profile public communications campaign to make sure that homeowners are aware of and are prepared for that new policy.

I was going to comment on the Scottish Government. Very interestingly, looking at their consultation on owner-occupied MEES, the homebuyer can price check the property value to an amount equivalent to the cost of the necessary renovations to meet the MEES. Therefore, it is starting to create a very clear correlation between the liability that accrues to a home that is not meeting MEES and the valuation of that home, which is currently absent.

Q90 Chair: That is where the estimate of cost to achieve the certification level required becomes so important. If you are saying there is a property with an existing mortgage on it at a relatively high loan-to-value that is currently at level E, or if it is owner-occupied it might be less than E, and the cost of bringing it up to C to allow a transaction would be, let us say, at the higher end of the scale—so somewhere over £10,000—it might create a blight on that property under the existing ownership if the owner is not in a position to fund that work prior to a transaction. It might or might not, if it is a rented property, be capable of transacting. Is that what you mean by a two-tier mortgage market?

Dr Thomas: Exactly, it does have genuine financial repercussions for both landlords and owners.

Claire Tracey: I would also make the comment you would be likely to have particular areas of the country more adversely affected than others, which is also pretty important.

Q91 Chair: There could be an area of a town or a region where there is a larger proportion of substandard housing that gets subject to blight as a result of these requirements, unless there are support measures to facilitate it to be improved.

Gavin, a last question from me, because we need to encourage others to speak. Could you give us a sense of how introducing the minimum energy efficiency standard to EPC E has been taken up within the private-rented



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sector? Have there been any adverse implications that make it concerning if we were to move it up to C, where the Government want to go?

Gavin Dick: “Adverse” is an interesting choice of word. I would say there have been a few grumblings, obviously people not necessarily happy about having to do the work. However, generally overall the private-rented sector has moved considerably into bringing the properties up to a minimum of E, and obviously all landlords will be moving their properties up to a C because otherwise they would not legally be allowed to rent them out. That is the challenge it has caused.

As you have said, there are properties with value that is low and the amount of works that need doing to the property is high. Therefore, those landlords will be making the decision over the next few years on what to do with those properties. Predominately they are at the lower end of the market and I think there is a challenge around that, about what happens to those properties.

Generally speaking, landlords accepted MEES and complied with MEES. You can see that by the very low prosecution rate by local authorities of those landlords who have not got there.

Chair: Claire, I know you want to come in but perhaps you could weave your point into one of the other answers. I am going to ask Caroline Lucas now to pick up particularly on the private-rented sector.

Q92 **Caroline Lucas:** Thanks very much, Chair. I want to go back and pick up the last point Gavin was making, if that is all right. You were talking about the success of the existing regulations but, according to the evidence I have seen, the cost cap meant that around half of all band F and G properties are not brought up to band E standard. That seems to me to be a very large number. I wondered if you would comment on that.

At the same time perhaps you could say a little bit about the main barriers to landlords improving energy efficiency in their homes. Obviously we know about the split incentives where the landlord pays the money and the tenant reaps the benefit. Is that still a major problem and what more could the Government be doing to support landlords?

Gavin Dick: Obviously they are two separate questions. There are challenges around bringing certain properties up and the £3,500 cap. Quite a lot of those properties could be off grid and to bring those properties up is a significant challenge. To get the higher up EPC is dependent on using gas and gas long term is not the answer in many cases—before I upset all the gas companies.

Q93 **Caroline Lucas:** Do you think that is the problem, though? Do you agree that is the problem if you literally have half of the properties in F and G not having been brought up to E?

Gavin Dick: If they are off the gas grid it will make a difference because the EPC is based on having a gas boiler to get a higher rating, so there is



a challenge around that. If you are an off-grid property based on oil it is going to be a significant challenge to get there.

Q94 **Caroline Lucas:** Do you know how many of those were off grid, of the ones this far that have not made it?

Gavin Dick: I do not know.

Q95 **Caroline Lucas:** There are not many that are.

Gavin Dick: There are quite a lot. Going around the more rural parts of the UK or England and Wales it is a significant amount and that is part of the challenge. Another part is where the property does need significant works and is in a conservation area, and the standard they wish to put in takes a long time to get around.

Probably that leads into the second part of the question, which is that one of the barriers is actually planning to do the works. Obviously you have a tenanted property and you base it on when that property will be empty to do a lot of these works. As a landlord, you want the tenant to stay as long as possible, to be paying the rent and keeping that so there is that balance to work out. For the student market it is a lot easier because the students are a yearly-based market. Where you have other tenants you are looking to keep the tenant for as long as possible.

The main barrier is knowing what to do to the property and when to do the work, so it is this understanding of what needs to be done to your property. Each property is different. They might be very similar archetypes but the history of the building, what has been done to the building historically and what needs to be done to the building.

As I said earlier, I know BEIS is working on this and it is something that we have been asking local authorities to work on—that is, developing guides so that not just landlords but homeowners know what to do to properties and when to do it, so they can actually make the interventions on the property and get a better outcome for the property long term. When is the best time to upgrade the gas boiler and do the pipes? The property needs to be empty at that point to do that. You cannot have a sitting tenant while you are doing that to the property. To a certain extent, you are guided by: when will the property become empty? And when can I book an engineer in to do the work? Quite often it is not an easy transaction and the tenant moves out quicker than you wish.

Q96 **Caroline Lucas:** Can I ask you something about the situation in Scotland? I understand, for example, that the Energy Saving Trust in Scotland does provide landlords with free information and property assessments, as well as loans. In terms of what the Government could be doing to help this, is that something you would look for?

Gavin Dick: Yes, absolutely. We have repeatedly asked for that information to be provided. We do not think it is just for landlords. We think it is for homeowners and even for tenants to understand how to use



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properties, live in properties and use energy properly in the property. It is not just a case of putting a tenant in the property. If they are put into a property with a heating system they do not understand that can create just as many problems. They do not know how to put the heating system on so they leave it on 24 hours a day. Many different problems can be created if the person does not understand what the heating system in the house is. I think there is a lot of education on both sides for this. Therefore, yes, we do support the argument you just said about the Energy Saving Trust.

Caroline Lucas: Claire, did you want to come in?

Claire Tracey: I want to absolutely reinforce your point. We run a website called Landlord Lifeguard where we try to help landlords understand their responsibilities.

The only point I wanted to make is, because take up of landlord registration and licensing schemes in this country is quite patchy and not well enforced, it is very difficult to understand how many landlords are aware of their obligations. As part of this thinking about whether or not we want to create a centralised database of landlords, it would be a mandatory registry where you are logging simple data points like name, address, the EPC rating and the gas certification and is something we are pushing for. I think if you want to enforce some form of minimum standard having that in place would be really important.

Dr Thomas: I would like to reinforce that point. In England, unlike in Wales or in Scotland, there is no registry of private-rented landlords. That does introduce significant challenges on monitoring and enforcement of MEES compliance and is a challenge for us on the data side when we look at financial innovation.

I wanted to point to BEIS's own research that was published last year, which shows that 35% of landlords are not aware of MEES and 19% do not understand the details. There was a particular point in that report that jumped out, which was that landlords are not aware of the financial benefits of energy improvement, so that is currently not functioning as a motivator for compliance with regulations.

In the spirit of trying to propose some positive incentives and solutions to some of these barriers, there was a landlord and business energy savings allowance previously. That allowed the cost of acquiring and installing certain energy saving items to be deducted when calculating taxable profits made to landlords. At the Coalition for the Energy Efficiency of Buildings, which we run at the Green Finance Institute, we very much call for the reinstatement of that.

Another project we are working on is to look at green rental agreements and to tackle that split incentive problem by introducing in agreements, as a market standard, that there will be a sharing of the benefits between the landlord and the tenant. We think that is something the market can



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solve without Government intervention by piloting this with some private landlords who so far seem to be very engaged and willing to support it.

The final point is around this idea of having the chronology and the sequencing laid out very clearly as to how you could retrofit your home. We have seen in other jurisdictions—France, Belgium and Germany—with very useful building renovation passports, which have proven very effective. One of the projects we are working on with our 200 coalition members is to bring out a feasibility study that sets out exactly what the data inputs and outputs should be for that sort of building/renovation passport, such that it would not just provide information on what measures are possible, and what a long-term renovation plan could look like, but would create a link with both the supply chain and the finance providers, making sure there is finance and advice made available at all the right points in that chain.

Q97 Caroline Lucas: Thank you. I think we are going to come back on that.

I want to ask Gavin—I know you want to come back in on this in any case—if you can say a bit about whether you think this is going to be affordable for landlords, the work to get it up to EPC C?

Gavin Dick: For some landlords, yes, for other landlords, no. That is the challenge, not all the landlords are the same. It depends on where they are in the country, the value of the property, the loan-to-value if they have debt against the property and their situation. For those landlords who know what works have to be done, when to do it and how to bring up their properties, it is not a challenge. It is the people who do not know the challenge that they face to bring their properties up to the standard that is required and who do not know what those costs are going to be.

Q98 Caroline Lucas: Do you agree a register would be helpful, in order to be able to know who the landlords are and to have a better chance of being able to contact them and make sure they do know?

Gavin Dick: I do not see what a register would add to the equation.

Q99 Caroline Lucas: Transparency and information, for a start.

Gavin Dick: The register would only be as good as those who put the information in. Local authorities know where the private-rented sector in their areas are and they do a good job in bringing them to court when they are not bringing their properties up to standard. The idea of a central register—

Q100 Caroline Lucas: I do not think that is true. With respect, most councils are completely under the cosh when it comes to finance, resource and so on, and most of them do not have time to be taking landlords to the courts, which is a fairly desperate measure to have to take. If you had a transparent register, which you could make conditional on landlords being able to put themselves onto the market, it would not be difficult to do.



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Gavin Dick: Sure, I accept the argument. However, both in Wales and in Scotland where they have registers they also have a considerable number of landlords who have not appeared on those registers, which actually still require the local authorities—which are overstretched and underfinanced, as you say—to still go after them. Therefore, saying a simple register solves the problem does not tackle what the problem is.

What you are talking about are people who are committing criminal offences, know they are committing a criminal offence and will continue to do that. A register would only be good for those who are compliant and good landlords, which is the challenge with any register. Similarly, with any licensing scheme a council introduces, the council still has to go and chase those who do not have a licence and still has to prosecute them. Saying a register would solve things does not actually tackle what the problem is.

Q101 **Caroline Lucas:** I do not think anyone is saying it would solve things. We are saying it is a tool that might help.

I am very mindful of time so maybe I could come back to the others on my last question, which is whether or not you think landlords have taken too short-term an approach in the past, only doing the minimum they were required to do at a given moment? If that is the case, how much is that the responsibility of landlords and how much is that the responsibility of Government for not setting out perhaps a longer timeframe for the work that needs to be done.

Claire Tracey: Thank you very much. I do think that second point is really important. There will be landlords who spent a lot of money retrofitting their properties and then the Green Homes Grant launched, which we are very actively promoting, and frankly they will have missed out on thousands of pounds by doing that. Therefore, having real clarity over a long-term period of what the incentives are going to be would have so many benefits. It would give people faith that if they were going to invest money they were not going to miss out on anything.

What it would also do is allow insulation manufacturers to get behind this and start marketing products, and it would allow trades people to invest in what is quite an onerous training regime to be certified to do the work. There are so many pieces of this that would be able to coalesce around it if there was a long-term strategy.

At the moment, to some extent, the people who are taking steps on this are taking a chance that there is not going to be a better incentive scheme coming in. That is effectively what we are asking landlords to do. Therefore, having that long-term certainty would be important to get people to move.

Caroline Lucas: Lovely, thank you. I should probably end it there, Chair. Thank you.

Chair: Thank you, Claire. Thanks very much, Caroline.



Q102 **Ian Levy:** If I could direct my question to Rhian-Mari. Rhian, in Caroline's question you talked about renovation passports. Could you expand a little bit on that, maybe how they could be used to unlock green finance, how long it would take to implement and what you would see as the barriers?

Dr Thomas: Thank you for that. Our coalition has been conducting a cross-industry consultation for the last six months looking at the data inputs, the outputs and the optimal processes for a UK building renovation passport, which is obviously something that has been discussed for a while. We will be launching our report with our findings in coming weeks. The recommendations will include that the data inputs should include information on the building fabric, the historic retrofits, the EPC data, resilience to climate shocks, other climate information, such as embodied carbon, user behaviour and energy consumption.

It is very much an evolution of the current EPC, which is obviously a very static measure. The data outputs that the financiers are obviously very focused on should include an overview of current information on the home, a road map to sequentially retrofitting the property, connections into the supply chain and the finance system, information on local and national regulations or incentive programmes and grants that are already available. Importantly, we have an opportunity to make it digital so that it remains dynamic and can bring together lots of disparate pieces of information from various sources, in a GDPR compliant manner, and obviously it needs to be presented via an intuitive interface.

How long that takes to implement will be dependent on resources and financing with which to do it. Certainly it is something that—speaking to the financiers who are part of our coalition—would be welcomed and certainly the construction industry have been very positive.

Q103 **Ian Levy:** That is lovely. Thank you very much. That was very informative. Gavin, in the last question from Caroline we talked about landlords as well. Landlords come in all different forms. You have landlords that are county councils. At the other end of the scale you may have someone who is a landlord to supplement their pension. What are the benefits you would see to these renovation passports to landlords?

Gavin Dick: We have called for these building passports as well. We think it helps landlords know what work has been done to the property and what work needs to be done to the property, so it allows them to plan for the future. Any landlord sitting there wants to know, "What are the costs to get my property from where it is today to where it needs to be in the future?"—which is not just to an EPC C but to a decarbonised position. "What are my costs? How will I pay for that? How will I plan for that?" is the bit that we all want to see: how people will be able to plan, make the interventions at the right time and make the payments that are required.



“How much money will it cost to replace my boiler with an air source heat pump? What is that going to cost me and when should I do that intervention?” That is what people need to know, and only through something like a building passport will they be able to actually have that plan. It does not matter then if you have one property or 100 properties, you can make those decisions based on information against your properties.

Q104 Ian Levy: It is definitely giving you that information to plan for the future, is it not, and plan in the best and most efficient way. If the renovation passports were not adopted by Government, do you have any other ideas that we could implement as an interim measure in place of these passports such as performance certificates?

Gavin Dick: The main thing is to know what the interventions are for the archetypes of the buildings—that is, if you have a three-bedroom detached house built in the 1960s, what the works are that need to be done. Those works are going to be slightly different if you have a pre-1919 terraced house. It is the build of the property and what building materials are in it. That information can be put in a central repository of the different archetypes and from that people—whether they are homeowners or PRS landlords—can make decisions: “Is it a concrete build, post the Second World War? What would I need to do to that property to bring it up to the agreed standard, and not only that but to the future standards that are required as well?” Then people can make decisions, “Do I want to keep this property or do I want to sell this property? If I want to keep it, what are the costs I need to allocate to that property in the future?” That sort of repository would complement a green passport as well.

Q105 Ian Levy: Having all that information at hand as well means, when you do come to sell, it is evidence-based that you have done all this work as well, is it not?

Gavin Dick: Absolutely, it also gives an indication in that to stop people being ripped off because you get an indication of what the costs would be. A lot of landlords—70%-odd—only own one property. They are not in the building industry so they do not know what the costs are. It avoids them being ripped off by someone saying, “I put this in”. “Does it meet the right standards? What should I be looking for?” I know they have started that with TrustMark. It is that guidance and support we try to give to our members. It would give that going forward.

Q106 Ian Levy: It is not unlike a service history that you get when you buy a second-hand car. The information is there in front of you and it makes life a little bit easier.

Gavin Dick: Correct.

Ian Levy: Thank you for that answer. I will hand back over to you, Chair.

Chair: Thank you very much, Ian.



Q107 **Nadia Whittome:** My first question is for Rhian-Mari. Are you able to outline the interim findings of the green finance matters that you have been working on and are you able to give an indication of what your final recommendations will include?

Dr Thomas: Thank you very much. We are not operating in a way of coming purely with recommendations, at which point there will be a final set. Our coalition is very much set up in order to work on some of the outcomes and the projects they have identified, so this is going to be a multi-year programme. We have 10 financial solutions and enablers of greater finance flows that we are working on at the moment, following the recent launch of our green home retrofit finance principles with the support of nine building societies and banks.

We are working on a number of different pilot schemes. Things like the property assessed clean energy finance programmes that we have seen in the US, which have successfully mobilised over US\$6 billion of institutional investment into energy efficient retrofits. We are looking at setting up a green home salary sacrifice scheme that allows employees to access low-cost finance; building renovation passports, which I have mentioned; green rental agreements, which I have mentioned; and also looking to work with local authorities on how we structure guarantees in order to crowd in more private finance.

We have 20 different projects that our coalition members put forward, all of which were designed to try to overcome some of the barriers we have been hearing about on this call that they identified, with the intention of demonstrating to mainstream financial providers that there are viable risk-adjusted returns that can be made from investing in this sector. We just need to do a little bit of heavy lifting in order to actually develop some of these products and services.

Rather than a final set of recommendations where we all walk away, this is an ongoing project where we are trying to get the market to help work with central government and work with local authorities to build some solutions as well as make recommendations. I hope that has answered the question.

Q108 **Nadia Whittome:** That is helpful, thank you. My next question is to Claire. Do you have any ideas or proposals, Claire, as to how we can stimulate improvements to the energy efficiency of homes that are owned outright and do not have a mortgage?

Claire Tracey: In addition obviously to some of the suggestions that Rhian-Mari outlined, I think it is about helping individual homeowners to want to do this and to have the tools to do this. As I mentioned before, it is thinking about this whole end-to-end holistic piece around—to Gavin's point—how they are going to know what they are supposed to do. How they are going to have the confidence that they are going to be doing the right thing and there are not going to be any unintended consequences of retrofitting. How they are going to know that the providers they have



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accessed have the right training and how they are going to feel that they have the financial support to do it.

It is not just about borrowing but is also about incentives. Sometimes the payback is not there. You can spend £5,000 putting some energy efficiency into your home and you can save £200 to £300 a year in energy bills, so it does not make sense. We have to address that.

There are a lot of different challenges along the piece and the suggestions the Green Finance Institute have made are fantastic. However, there are also other pieces of the supply chain that all need to come together if we are genuinely going to want homeowners, whether or not they have a mortgage, to actually step forward and say, "Yes, I want to do this. I am prepared to deal with the hassle factor, the disruption, the risk of something going wrong and introducing a tradesperson into my home to different things". That is something else we need to overcome. It is the whole supply chain that we need to look at holistically if we want to get the individual to say, "Yes, this is something I want to do".

Q109 Nadia Whittome: Thank you, Claire. With both of those answers in mind, if I can ask a follow-up question primarily to Rhian-Mari but, Claire, if you would like to come in on this please feel free to. Do you think there would be benefits, and if so what benefits, of lowering VAT on renovation and repair and do you think that should be considered in addition to the green finance mechanisms you mentioned?

A follow up to you specifically, Rhian-Mari: what kind of interest have you had from the Government on the back of your work and are you expecting that to feed into the National Infrastructure Strategy and the building strategy?

Dr Thomas: Thank you. Taking the VAT question, our coalition did include that as a suggestion in our report on stimulus for a greener built environment. However, my point would be that we would need a thorough economic analysis to be conducted to understand the wider economic impacts of that measure. It could have some unintended repercussions that would need to be analysed before we would take that forward.

The second point is around Government interaction. Obviously we received seed funding from the UK Government—as we have from the City of London Corporation—and we have a very close, almost day-to-day, working relationship with BEIS in particular, which has been a big supporter of the work we do and sits as observer on our coalition. Minister Kwarteng has been a particular advocate of all the work we have done and is very actively involved. Therefore, we are very confident that the work we are doing, on behalf of the market and presenting to the policymakers, will find its way into the appropriate measures that are happening in other parts of Government.



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Nadia Whittome: Thank you. I will hand back to you, Chair.

Chair: Thank you, Nadia. Marco Longhi is next. I know Marco has to go into the Chamber shortly so over to you, Marco.

Q110 **Marco Longhi:** Thank you very much, Chairman. I wish to attract the Committee's attention to my register of interests as a landlord.

This question is for Claire first. Does Nationwide offer its customers any sort of financial incentive to encourage energy efficiency, and, if it does, what sort of take up has it had?

Claire Tracey: We have a couple of things we do. As I mentioned, we set aside £1 billion of very low-interest rate borrowing to enable people to retrofit their homes. A member would need to come in and demonstrate to us that at least 50% of what they wanted to borrow was in order to do energy efficiency retrofitting and then we would lend to them at a very attractive interest rate. The take up of that has not been very strong, for all of the other reasons I outlined. Our view is that it is not the availability of low-interest funding that is the constraint here. There are other issues.

We have had members take this out. It is very attractive as an overall lending proposition, but it requires them to have done a lot of research, have clarity on what they want to do and to have figured out in their own minds that it pays back to have the money and be happy to borrow. There are a lot of prerequisites, so I would say demand has been reasonably low as yet.

The other thing we do is we have a partnership with an automated utility switching company. We are very much promoting that and encouraging members to move to green tariffs. That has had quite good take up but it is very early days. There you are combining for members both something they can feel really positive about, moving to a green tariff, but also saving money at the same time and that just makes much more sense for individuals.

Q111 **Marco Longhi:** Thank you, Claire. If I could stick with you, I have a list of questions and I am going to jump to another one while I have you. If energy efficiency loans are, in fact, tied to a property how would we ensure this does not act as a disincentive to future purchasers? In other words, as a purchaser, if I went to buy a property that had something that was tied to it as the result of a previous owner's engagement does that of itself act as a disincentive?

Claire Tracey: You would purely extend your mortgage.

Q112 **Marco Longhi:** It is a mortgage grant, right.

Claire Tracey: If you had a £100,000 mortgage you would add the money to it and then have a £110,000 mortgage you would then transfer or pay off as you moved on. It would not stick with the property; it would



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be part of what the mortgage holder would have. They would have it with them personally, it would not attach to the property.

Q113 **Marco Longhi:** Thank you, Claire. I can see Dr Rhian-Mari wants to come in and actually my next question was for you, Doctor. I will ask my question but you can also obviously come in to add to the previous one. How does the UK approach compare to other countries? Is there anything you think that we can learn from them?

Dr Thomas: That is a perfect alignment of the two questions and the answer I wanted to give. While a green mortgage would operate in the way Claire has mentioned, there are other very successful products that we have seen in other jurisdictions—notably in the US, Australia and now also in Spain—where the actual loan does sit as a tax on the property and does not sit with the property owner. It has not acted as a disincentive. It has acted as an incentive.

The way that works goes to the point that was made earlier. That a potential disincentive is spending a lot of money retrofitting your home knowing you are not going to be there for the duration in order to get the payback, having that transfer with your property acts as an incentive for the property owner to do it. What we then need to make sure happens is that there is some correlation between the valuation of your property and its energy efficiency.

The way that PACE programmes operate in the States is the municipalities give a loan to the property in order to retrofit it. That sits with the property and, effectively, the municipalities get a number of cash flows that they can bundle up, securitize and take to market. Then you can get institutional investors to invest in what would otherwise be very bitty, small, projects. It has been a real success and one of our key projects is to see how we could import that into the UK, as we have seen it successfully imported to Australia and Spain.

Quickly on the approach of the UK lenders, as well as Nationwide's preferentially-priced green further advance, we obviously have seen Barclay's launch a preferentially priced green mortgage to support new builds, NatWest launched a green mortgage proposition in late October, BNP Paribas Personal Finance has point of sale finance at reduced rates and the Ecology Building Space has been in this space and providing those types of products for a while. We are definitely seeing some real momentum among mainstream city firms in trying to provide these types of products.

That said, the green mortgage market in particular is far more developed in several European countries. For instance, the Netherlands has been offering green mortgages for several years. Interestingly, in Germany we see these blended finance models where homeowners can access grants or loans or support their renovations from public finance, from the KfW Bank. They can blend that with private capital they receive from the



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commercial lenders. That is a model that appears to be working very efficiently.

Marco Longhi: Thank you very much. Chairman, as you are aware, there are a few more questions I would have liked to have asked but time is very pressing for me. Can I invite you to carry on with those few questions on my behalf, please?

Chair: Thank you, Marco. Thank you for joining us, I know you have to go into the Chamber. Indeed, one of those questions follows up neatly from what Rhian was talking about. Rhian, you have written about the need for a national investment bank to focus on green finance measures, and you and I have talked separately about some of the high-level things we could do in this economy to stimulate green finance. Is the Chancellor's apparent enthusiasm for a new infrastructure bank relevant to getting involved in domestic renovation, or are we talking about the wrong scale of infrastructure here?

Dr Thomas: It certainly could play a role in energy efficiency and building renovation. It could play an even greater role in other sectors where there are still technologies yet to be developed and that are unfamiliar to commercial and private finance. That is where such a national investment bank could act as a risk mitigation vehicle to crowd in private capital, as it did so successfully with the offshore wind industry when we had the previous Green Investment Bank. Yes, it could certainly play a role in providing guarantees and providing first loss type facilities in order to crowd in private finance. However, I think it would play a greater role in some other sectors frankly.

Claire Tracey: I concur with that. To the point I made earlier, I do not think it is the availability of financing of this that is the real challenge here. That is not what I think is the constraint to get the sector moving right now.

Q114 **Chair:** If we move away from the concept of a national bank to facilitate this, how about other financial services institutions? How do we get them involved in what is effectively a form of consumer finance? If I can put it politely, the false start of the Green Deal financing structure may raise questions about the confidence of the public in a scheme. We have to re-establish that trust in a scheme in order to get take up, have we not? Claire, are you best placed to have a go at that?

Claire Tracey: Was that addressed to me?

Chair: I am trying to encourage you to give us some views as to whether or not other financial institutions, in addition to Nationwide, might want to get behind some form of consumer finance to help owner-occupiers and the private-rented sector invest in these products.

Claire Tracey: That is absolutely right. I think the appetite is there. Speaking for a financial institution that is owned by its members, we want to do the right thing for our members. Therefore, what is really



important for us is to understand what incentives and support are going to be put in place, so that we do not mistakenly advise members to act when actually new incentives are going to come in or the market shifts. It is important to have that long-term clarity so we are able to know that the advice we are giving our members is the right advice to put forward. There is absolutely a huge appetite to lend into this space if we can have the rest of the infrastructure put in place behind it.

Q115 **Chair:** What characteristics do you think are essential in order to encourage take up in a Government support scheme?

Claire Tracey: Clarity, I think awareness, and I think persistence.

Q116 **Chair:** Duration, you mean?

Claire Tracey: Absolutely duration, because it will take time. It will take time for the people you need to be trained in fitting, it will take time to build the infrastructures and—as Rhian-Mari was alluding to—for some of these processes, systems, pieces of information and structure to be put in place to make the journey very seamless. It can be done but it will take time to do. What you do not want to have is construction people training people and then it is sort of in and out, this is a significant investment of time. For the private sector to step into this, having the view that this is going to be a long-term commitment that is reasonably stable and that we can trust and rely upon I think is very important.

Q117 **Chair:** Do you think the Green Home Scheme is a good start? It has relatively few of the characteristics you have just described, because it was brought in as a measure and response to stimulating activity post-Covid.

Claire Tracey: It is a good start. It has been good to raise awareness. I would advocate extending it, at least to make sure the money set aside is spent. However, as you say, it does not have that attribute of a long-term scheme that people can really plan against. That is what I think you would need if you really want to get all elements of the private sector galvanised behind this. I think there is a lot of appetite there.

Dr Thomas: I was going to very quickly say that we certainly see that engagement and appetite in our coalition, which obviously includes Nationwide and the National Landlords Associate. Pretty much all the main high street lenders and building societies are highly engaged in the work we do.

In terms of Government actions that we think could help stimulate more private capital into this space, I will again use this platform to ask the Government to consider a stamp duty rebate for homes that are improved to a higher EPC within 12 to 24 months of purchasing the property. We do need to normalise the concept of energy efficiency improvements as part of the property sale and purchase process.

Q118 **Chair:** Thank you. Gavin, a word from you on how we can increase



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demand from either private-rented landlords or owner-occupiers to get behind such schemes.

Gavin Dick: I would say—it was mentioned a few minutes ago—to bring back LESA, the Landlord’s Energy Saving Allowance, which was abolished back in 2015. Look at tax as well and how landlords are taxed, so when they do energy efficiency works they can claim that back against tax per property and not just as a landlord. That is an area that needs to be looked at.

You have a trajectory going forward for where landlords need to be with an EPC C in 2025 and 2028, but it is about how to finance those landlords with low-value properties and how they bring those properties up to standard, because you want to keep those communities still in place and not have properties that no one wishes to purchase or that people cannot live in, so it looks at how you can put finance into low-value properties around the UK and bring those up to a standard.

Chair: Thank you very much. Finally for this panel, a quick question from Barry Gardiner.

Q119 **Barry Gardiner:** Thank you, Chair. This is really to Dr Thomas. Although Parliament is committed to phasing out carbon emissions by 2050, we do not have a national strategy on how to get to net zero. I believe you are part of the Zero Carbon Commission and your report on how carbon pricing can help Britain achieve net zero by 2050 does provide some very clear recommendations about the role that carbon pricing can play in the domestic heating sector, across all sectors.

You make specific recommendations here. Could I ask you to outline those from the report and, in particular, your recommendation about the immediate announcement of the £40 per tonne of CO₂ equivalent, charged upstream on the producers of greenhouse gas emissions, moving to £75 I think by 2030?

Dr Thomas: Thank you very much. You have actually hit the high points there already. I will just add one further point, which is hopefully made very clearly in the report. There is an opportunity for redistributing the tax that gets raised, not only to support further innovation across various sectors but, importantly, to tackle fuel poverty and bring some of these properties we have been discussing on this call up to the right standard. There are a number of reasons to be very positive about the carbon tax.

From purely a banking perspective, having a clear long-term trajectory—and Claire has made the point a number of times on this panel today—of getting to £75 per tonne of carbon dioxide equivalent by 2030, creates that level playing field and creates a very clear signal and trajectory for financiers to plug into their cash flow models and into their valuation models. That is another benefit that I hope does come out in that report.

Q120 **Barry Gardiner:** Yes. I think you said the immediate announcement and implementation within the life of the Parliament would give time for



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homes to reduce their reliance on gas and oil through adopting energy efficiency measures, so it acts as that driver for change. In your opinion, should that immediate announcement be a recommendation of our inquiry?

Dr Thomas: I would certainly welcome it if that were to be the case, yes.

Q121 **Barry Gardiner:** You have said the revenue raised from the charge—and you have already partly answered this question—would be approximately £27 billion per annum. It is important to outline how you believe the money could be used and why it would not be a regressive tax on the poorest energy users. You have alluded to that, but I think it is important you should expand on that and explain how.

Dr Thomas: Thank you. One of the things the report tries to emphasise is the need for different sectoral approaches. The one thing that is common to all sectors is that the tax would be charged upstream, so it would not be charged directly on consumers.

In the domestic heating section, we talk extensively about the opportunity there to actually reinvest that money to avoid a gilets jaunes-type reaction. It is in order to bring the electorate with us and bring the consumers with us. In other sectors there are obviously greater needs for investment in new types of technologies, new types of fuels and so on. Therefore in some of those sectors you would see it redistributed differently. I think that is the key point we have made. It needs to be horses for courses looking at different sectors.

Q122 **Barry Gardiner:** Finally, your report distinguishes between gas and oil heating and electricity and the different charges that are currently applied to each of those. Could you outline what justifies the different treatment you are suggesting in the report?

Dr Thomas: The thinking behind treating these things differently is that just providing a charge would actually pivot entire sectors. We would see everyone in electric cars because of the fuel duties that are already there on transportation. What this is trying to do is look at where we see perversity in certain different types of incentives or taxation in the current system. Rather than scrapping the entire system, it is building on what is there already and amending it so that you end up with a level playing field that benefits the technologies we want to see going forward, which is obviously electrification as opposed to the current means of heating homes.

Q123 **Barry Gardiner:** If I can translate that into what I can think: is it the case that at the moment the present carbon charges applied to electricity, as opposed to those applied to gas, are the wrong way around? You are seeking to redress that so there is actually an incentive to go down the electric route rather than the fossil fuel route?

Dr Thomas: Yes. That is a far better way of summarising it. You are correct.



Barry Gardiner: Thanks very much.

Q124 **Chair:** Thanks very much, Barry. Rhian, I know that at the Green Finance Institute you are a big advocate of encouraging the Government to launch green gilts. Would you see a support mechanism link to greening our housing stock through support for borrowings—which could be a second mortgage or however it might be secured—on that property? Would that provide a suitable mechanism for a Government gilt linked to this kind of support?

Dr Thomas: A green-plus gilt, which is a green sovereign issuance that has defined social outcomes—which we have put forward to Government alongside the Impact Investing Institute and the Grantham Research Institute—could not only do the things you have outlined, Mr Chairman, but could also be used in order to support the skills, training, jobs and supply chain comments that have been raised by both Gavin and Claire during their witness statements.

Chair: That is very helpful. I would like to thank you, Claire Tracey and Gavin Dick for joining us today. We are going to move on now to our second panel. Thank you very much indeed. You are very welcome to stay on the call if you would like to. Thank you.

Examination of witness

Witnesses: Jonathan Ducker, Mr Peter Smith, Dr Joanne Wade and Robert Tiffin.

Q125 **Chair:** We move onto our second panel. This is more to do with those engaged in undertaking the work. Again, as we did in the first panel, I would like to introduce people individually. Could you say the organisation you represent and what your role is?

Dr Wade: Good afternoon. I am Joanne Wade. I am the Chief Strategic Adviser at the Association for Decentralised Energy.

Jonathan Ducker: Jon Ducker. I am Head of Regulatory Affairs at Kingspan, primarily covering conservation of energy policy.

Q126 **Chair:** Thank you. I should say there is a Kingspan facility about five miles away from where I live, not in my constituency but adjacent. I expect you employ some of my constituents.

Mr Smith: Good afternoon. My name is Peter Smith. I am Director of Policy and Research at the fuel poverty charity National Energy Action.

Robert Tiffin: I am a Director of Ecotiffin. We are a general refurbishment and improvement contractor that is involved in lots of local retrofitting, improving energy efficiency of small domestic properties.

Q127 **Chair:** Thank you, Robert. Could you also turn your camera on? I am not sure what your signal is like there.

Robert Tiffin: I have tried to. Here I am, yes, good afternoon.



Chair: Perfect. Good afternoon, thank you very much indeed.

Q128 **Chair:** I am going to kick off with some questions about the challenges we have heard in the first panel of upgrading properties, in particular old properties. I have a constituency interest in this because my constituency has one of the highest proportions of properties built pre-First World War and of listed buildings. I also live in a listed building so I have some knowledge and concerns about this.

The Government's Housing Survey indicated that 22% of the total housing stock in England was built more than 100 years ago. We are clear from the National Audit Office that the cost implications of retrofitting insulation to properties that are of that age and are typically solid wall are very much greater than it is for those that have cavity walls.

Joanne, perhaps we can start with you. Given the additional costs required to bring such properties up to the standard required, does this suggest a differential form of support depending on what it is you have to do that the Government should be prepared to contemplate?

Dr Wade: I think that is a really interesting question. The first thing to say is that it is important that we do not leave these homes behind. All our homes need to be fit for the future. We cannot leave some households behind just because of the sort of house they live in.

In terms of the cost and differential support, we have to be clear there is not a one-size-fits-all answer to the question of upgrading energy efficiency. What we can look at is a locally controlled but centrally coordinated approach, like zoning for energy efficiency and for heat decarbonisation where the local characteristics of the housing stock and of the resources that are available are taken into account. If you have that and want to do the right thing within your zone, I would say: why should you not have some differential form of support?

How you work out what that differential is has to depend on the difference between the private value to the person living in the home and the social value of getting everything to net zero. If you have a solid-walled home sometimes insulating those solid walls is going to cost far more than you will ever recoup in value personally but it is valuable to us as a society, which is an argument for differential support. Does that make sense?

Q129 **Chair:** It does. Zoning has quite a lot of complications about it because you very rarely have in any street—certainly in my constituency—properties that have all the same characteristics. They are mix and match. You might have adjacent properties that should not be in the same zone and should be treated differently for support. I am not sure how that would work unless you were working on an estate-by-estate basis where an estate was all put up at the same time. You might be able to zone those differently.



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Dr Wade: Yes, absolutely. In any one local area, some areas will clearly make a zone for energy efficiencies and others perhaps will be a zone for a type of heating but not necessarily for energy efficiency. It is complex but the solution for each person's home is for that home. It is unique to that home. We need householders to understand what is right for them; zoning is one element of that. We talked about retrofit passports earlier, which is another element that comes in as well.

Mr Smith: Thank you very much, Chair. I want to highlight that in previous grant schemes—notably the previous flagship, the fuel poverty programme Warm Front—there was a higher grant maximum for off-gas properties. From memory, I think it was something like up to £3,000 or £4,000 for on-gas and up to £8,000 to £10,000 for off-gas network. Therefore, previous precedent suggests there can be higher grant maximums.

In other nations, notably in Scotland, their regulations of rental properties also do take some account of being on or off-gas. I think there is a different standard and a different timeframe that needs to be reached, depending on whether you are on or off the gas network.

Q130 **Chair:** John McNally from Scotland is coming in after me so I am sure he will pick that up with you. Can we turn to the historical very-hard-to-upgrade homes? We have under the current scheme, an exemption from the EPC E standard for listed properties, and there are other exemptions for hard-to-upgrade. Do you think that that is inevitable, that we have to keep a system of exemptions for some properties, Joanne?

Dr Wade: That worries me, because the people living in those properties will get left behind. What I would like to see is policy that encourages innovation in solutions for those properties. Again, it is not one-size-fits-all. I live in a solid-walled property. It is EPC C, and I have not spent ridiculous amounts of money getting it to that. There are solutions available.

We need to be careful about blanket exemptions and saying things are too difficult. We need to look at each individual property and say, "Can we do this?" and we need to encourage the supply chains to innovate and come up with the solutions for these properties.

Q131 **Chair:** Let us turn to some supply chain representatives. Jonathan, perhaps you would like to come in on that. Do you think, in relation to the hard-to-upgrade homes, that there will be technical solutions that will make it possible and affordable?

Jonathan Ducker: Not for all of them. There are two aspects. Every home is very much different. There does need to be an assessment. There needs to be a plan, a package of measures that can be done for that specific building. Depending on whom you listen to, there is somewhere in the region of about 8.5 million solid walls, only 9% of



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which have had anything done to them. If you do not do anything to them at all, you are leaving those as higher carbon, higher running costs.

On top of that, we are looking at moving heating towards decarbonised electricity. We are looking at moving all of our transport that way as well. There is only so much generation we have at the moment, and unless we address bringing down the demands of the existing stock and the demands of properties as a whole, you have to also weigh it against the cost of producing quite a lot of additional generation to be able to supply those demands.

It is not a good idea to leave those properties entirely unimproved. There are, indeed, issues to do with condensation, mould growth, cold and damp that have implications in terms of health and wellbeing for the people that live in them. There are savings for the NHS from doing work. There are a lot of benefits beyond just simple payback that need to be considered. The problem is, if you are living in that home, you are just looking at the cost of doing these works compared to how much you are saving in terms of running costs. That does not stack up that well.

Largely, though, as I say, not every dwelling is going to be suitable for improvement, or not for the maximum level of improvement to get you to a C or a B down the line. There will be a lot of listed properties where the right approach is not to insulate them at all or to only insulate to a certain degree where it is safe and practicable to do so, but there may well be things you can do with the heating. There may well be things you can do with the controls. There will always be something that can be done to improve the overall energy performance.

In relation to that, there is almost, within the policy side of things, too much of a focus on just the running cost savings and not enough of a focus on the carbon savings on top of it, which is also part of an EPC.

As was discussed in the first panel, the aspect of a home passport, where you have, as part of that, information about the operation, the maintenance, the replacement planning—that all needs to come into this to do the very best you can for each home. From that, you can aggregate a number of homes that can be done at the same time, and then you can unlock cost savings.

- Q132 **Chair:** Can I ask Robert to come in on this as well? Just in terms of technological innovation, you mentioned the listing requirements, which impose obligations. We have seen huge advancements in things like double and triple glazing. Do we need also to address the current constraints on listing, which prevent any double glazing from being used? You can now have double glazing systems that are effectively invisible to the outside eye, but the listing restrictions stop any of it being adopted. Jon, do you have a view about adapting the regulations to fit? Peter, you have indicated.



Mr Smith: I just wanted to make sure he did not come in, just to talk over him. Yes, I think it is right to flag up the physical constraints in terms of compliance, but I very much agreed with the concern that Caroline Lucas was flagging up in the previous session, particularly related to the enforcement on MEES. We already have a situation where more than half of those properties that were in F&G in the private-rented sector are unlikely to be brought up to standard just based on the current minimum requirements. A lot of those are focused in rural areas.

I do not think there has been enough mining of the current compliance challenges of MEES to get under the skin of whether or not it is a mix of a range of factors, including landlord inertia but other physical barriers, to understand what contribution we can make through further lengthening the list of already pretty lengthy exemptions.

I do agree with you, though, Chair, that there is a huge amount of work that could be done about that, around planning restrictions and particularly the provision of adequate guidance about what is permitted within planning-restricted areas.

Q133 **Chair:** Are there some enforcement measures that you think need to be improved to meet the MEES targets, for example?

Mr Smith: Yes. We are very concerned about the low level of enforcement on minimum energy efficiency standards. I welcome the fact that the NRLA suggested that it supports the MEES requirements and the consultation to get even further than that, but I do not think we can assume that, because there have been very low levels of enforcement; we are seeing 100% compliance. The challenges around the mixed roles—particularly of environmental health officers and ambiguity around the role of Trading Standards—has fed into inertia within some local authorities about their role to enforce. I also think that—

Q134 **Chair:** Do you mean that nobody has this in their job spec?

Mr Smith: I think it is between two stools. Trading Standards monitor enforcement of EPCs, and then you have the environmental health officers. Historically, their role has been to police housing standards under the Housing Act, which places a duty on the landlords to raise their properties up to any cost if there is a hazard to health. It has fallen in between two stools. I do think, though—

Q135 **Chair:** Are you saying that only applies to new build?

Mr Smith: Yes, that is right. That is absolutely right, and building control has been an area where we need to strengthen resource within authorities.

I will just quickly say that we do support, though, the steps that BEIS has plotted out in its most recent consultation to introduce some form of database. I think it is calling it a property compliance exemptions database, but we hope it will be very similar to the model that exists in



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Wales that we cited earlier in the session, which we absolutely support along with the previous speakers.

Q136 **Chair:** Thank you. I want to bring in Robert before moving on to John. Robert, from your perspective on whether you think that there are technologies that are evolving that can help, particularly with the hard-to-upgrade properties.

Robert Tiffin: Where we come from, it is very much a matter of assessment first and a fabric first approach. It is getting that property up to good condition, the best you can, to prevent moisture getting into the building and for it to weather the conditions. That would give you the best method of raising the standards for the efficiency of the building itself, after which you are going to bring down the amount of energy needed to heat that property. After that, you need to be looking at the new technologies to be able to reduce the amount of energy needed to heat that space.

Your question as far as what we could do to use new technologies: thermal cameras, for example, and non-destructive means of investigation, endoscopes, electronic monitors for humidity and dampness. They are all things that can be brought into the assessment stage in the early days of being able to exactly identify and be positive of what measures are needed to be able to reduce the amount of energy being used. The target is the thought, and the main thing is to reduce CO₂ emissions. It does not matter where the property is in the UK, and you can use all your experience and techniques on how best to do that.

Q137 **Chair:** Thank you, Robert. I am conscious that we have a vote coming in about six minutes' time, so I am going to move on to John McNally to ask him to ask some questions. John, if you do not finish before the vote, do not worry; you can come back when you come back from the vote. Over to you, John McNally.

John McNally: Peter, my first question is directed to you, and is on fuel poverty targets. Public Health England has declared there is clear evidence on the links between cold temperatures and respiratory problems. While there is currently, obviously, no cure for Covid-19, cold homes are certainly preventable.

You will probably be aware of a co-ordinated letter by National Energy Action from over 120 organisations and individuals at the forefront of the current Covid-19 crisis. It warned the Government that a cold spell this winter could be catastrophic for individuals and families and overwhelm the health and social care services.

The CFP's 2020 progress report showed that, since the Government's Fuel Poverty Strategy was introduced in 2014-15, the number of households in fuel poverty in England has increased by 60,000 to 2.4 million. It says the fuel poverty targets are expected to be missed.

Peter, could you tell me why, in your opinion, the Government are failing to meet their statutory fuel poverty targets when they are legally



binding?

Mr Smith: Absolutely. First, I absolutely agree with the potential catastrophic overlap between, sadly, Covid and the impact of cold homes. They are highly correlated. We are working increasingly with Public Health England to get some messages out there this winter about what support is available either on the retail energy side or to make home improvements through the Green Homes Grant.

In short—because this could go on for a long time—we have failed to act at the scale and pace required to meet those targets as yet. We have initiatives which, should they be scaled up or should the Government honour manifesto commitments, particularly the home upgrades grant, we could see a much brighter future in terms of making a big dent in those numbers.

Some of the impact that you mentioned is due to the relative nature of the measurement. We would not expect that the head count on fuel poverty will change a huge amount, no matter what resources are put in place, but what we would want to see—and we have seen slowly, but very slowly—is the fuel poverty gap coming down. Pace on that is incredibly slow, and I think that has been underlined by the Committee on Fuel Poverty, as you have said. Only 12% of fuel-poor households currently meet the band C requirement, which is a legal requirement, unlike the aspiration in the Clean Growth Strategy to bring all homes up to EPC band C by 2035. We have a clear statutory duty, and we are falling far short of that.

We are particularly worried in the short term that there is no certainty about the replacement or the extension of the Green Homes Grant, and perhaps we will come on to that and talk about that a little bit more later on.

Q138 **John McNally:** Could I move on to my second question? Just if Joanne could answer this one, please.

The ECO and its predecessor schemes have targeted low-cost measures such as carpet and wall insulation, loft insulation, and these measures have been installed in a number of households able to benefit from them. The hard-to-upgrade homes, however, need more expensive improvements. They are now in the majority, I believe. The rate of installations is falling during ECO, compared to its predecessor schemes. Hard-to-heat homes have been dealt with a bit easier. Costs have risen since then, so the low-hanging fruit has been plucked, as you would probably agree with. Joanne, should the ECO focus on hard-to-upgrade homes, or should it be for those in fuel poverty?

Dr Wade: In the absence of any other funding to tackle fuel poverty, I think ECO has to focus on fuel poverty, but I think it is worth saying that it is not enough. The level of spending under ECO will not deliver the solution to fuel poverty. It is delivering a lot of good measures and a lot



of help for people, but it is not solving the problem because not enough is being invested.

If you look to the devolved administrations, they are adding taxpayer funding alongside ECO, in part as a response to that, but also in part as a response to the fact that—I am going to come back to my “not one-size-fits-all” point, which is there are a lot of people who need help, who do not quite spit into the box that is ECO. If you combine ECO with taxpayer funding, as the devolved administrations do, you can help more people and you can help them more effectively. If their home needs something different, you can do that for them.

Q139 John McNally: Can I just move on to my next question before the possibility of the vote comes? I will go back to Peter on this one. Peter, you will be aware that Jenny Holland from the UKGBC told us, for 2020, the Committee on Fuel Poverty “has identified the funding shortfall of £700 million to meet the milestone for all fuel-poor households to be improved by band E by the end of this year”. She highlighted the approaches from the devolved administrations, where extra funding for fuel poverty is available.

I will just quote her for a minute here. She said, “Alongside ECO, we need some Government funding, as we see in Scotland, Wales and Northern Ireland, to support locally-led fuel poverty schemes”—which I have been involved in locally within my own area—“topped up with a kind of national grant scheme for households that cannot benefit from the area-based schemes”. There is a lot more I could say in that, but I will cut to the question. Should England follow the devolved governments and provide additional funding for fuel poverty?

Mr Smith: Yes, 100%. That has been our main advocacy goal for a significant period of time. We have seen the Government most recently respond in part to that challenge and opportunity by instigating the Green Homes Grant. Part of the Green Homes Grant, £500 million of that, is being delivered through local authorities targeting those households on low incomes. We are slowly seeing a move to that approach, but we do not have anywhere near the long-term certainty that has blessed the other devolved nations, in Wales, Nest and Arbed, and in Scotland, obviously, heaps in the Energy Assistance programme. We do deeply want to emulate workable models that we have great insight into on how they work and how they could be tweaked and enhanced.

Chair: Thank you. I am afraid, John, the bell—you may not have heard it—has gone, so we are losing colleagues. If anybody else wants to respond to John’s question, we will have to do so after they have returned from the vote.

Sitting suspended.

On resuming—

Chair: We are resuming our session with our second panel this afternoon. I thank you, John McNally, for your questions.



We are going to now move over to Robert Goodwill, representing a rural constituency and wanting to talk about rural housing.

Q140 **Mr Goodwill:** Thank you very much indeed, Chair. We have touched on rural housing already in Shropshire, but there are large tracts of the country where there is no access to the gas network. For example, I think about 14% of properties in rural areas do not have access to gas. My question to all the panel is: what are some of the challenges of improving energy efficiency in rural homes, and how can these be overcome? I know we have touched on some of that already, but could we focus in on what we can practically do?

Mr Smith: There is a huge amount that can be done just in terms of trying to ensure that households understand the types of technologies that are here and now, which are applicable to their properties, and the types of technologies that could be applicable to their properties if they were to make fabric improvements to their homes. There is a huge amount that can be done through provision of adequate advice. Again, in the previous session, I was very much nodding along where it was highlighted that there is a gap in that provision at the present time to give those households that do not have the internet.

The other key thing is, while we support a fabric-first approach and reducing space heating demand as much as possible—and there are a huge range of technologies that can help do that and alleviate drafts and damp—there are also emerging heat technologies that can be adopted, which can either run on different fuels to make them low-carbon or draw on electricity. We are seeing hybrid forms of heating, not just gas and electricity but also off-gas fuels and electricity. We are also seeing the emergence of battery storage, which is coming down in price, and a huge range of tech, which, fortunately, NEA, as a charity, has been able to road-test some of it through our previous technical innovation fund. There is not a dearth of technological solutions here, but they do need to be implemented alongside practical advice to households about what those opportunities are.

Q141 **Mr Goodwill:** Thank you. Turning to Joanne Wade, on decentralised energy: the obvious example of that must be growing a tree on your own land, chopping it down and burning it in your wood burning stove. Are wood burning stoves part of the solution or part of the problem?

Dr Wade: It depends on what the householder wants and, of course, the quality of the technology. You can get a modern wood burning stove that is very clean, and why not, if that is what you like?

The key thing here is that, if you have a deeply rural home, part of the issue is that it is expensive to get to and it is expensive to reach. It is a bit difficult. It is a bit different in the way it is constructed. It might be more unique than a terraced house in a town. You might need a different kind of fuel. It is quite a complex solution. I think we need to be looking to the advice that is given, as Peter has already said, to looking at deep



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retrofits, to coming up with a tailored solution for those homes that is delivered in one go almost, if that is possible. You can look to programmes.

There are programmes like SuperHomes, the SuperHomes programme in Ireland, where you sort out the house in one go with the appropriate public support, depending on the income of the householder, and you just get it to where it needs to be with the right fuel source, with the right energy efficiency, starting with the right advice.

Q142 **Mr Goodwill:** Thank you. I forgot to mention that in my register of interests I do have some private-rented homes.

Maybe turning to Jon from Kingspan, does Kingspan have insulation solutions for some of these more difficult-to-insulate homes? Are contractors interested in doing properties that are not like peas out of a pod? I could understand if there was a whole street of houses belonging to a housing association, it would be quite a good contract to try to get, but lots of different houses? Is it something both the manufacturers and the contractors want to get into?

Jonathan Ducker: It is a tricky one. We have solutions for some houses, certainly, but what you fundamentally have to do first and foremost is properly assess a dwelling to then use that information to come up with a plan that will work for that specific house.

I was part of the Each Home Counts review, and I have been involved with the retrofit standards side of things with the BSI Committee. Fundamentally, unless you have a really good package of information about the property, you cannot come up with a good plan. Ideally, wherever possible, you should try to reduce the demands for heating, for energy, to the best extent you can, but that is not going to be possible for every house.

As I said earlier, therefore, in those situations, you look for the lowest-carbon, lowest-cost solutions to heating it. The problem becomes, as we move to electrified heating, if you do not reduce the demands but you go to a system that has very high running costs, you could almost exacerbate the problem. If you cannot afford to heat it in the first place because your running costs are already high, if you go to another system that has higher running costs, that is not a step forward, but it might be the only approach that works from a carbon point of view in the longer term for a given house.

In terms of the contractors, the supply chain, yes, there are additional costs and difficulties in dealing with piecemeal homes, but if you had or every home had some level of a plan, you could aggregate demand, and then you can unlock costs to a degree. If you are miles away from your next-closest house, probably less than others, but there will usually be some level of scheme-based savings that could be had.

Q143 **Mr Goodwill:** Thank you. Peter, do you want to come in again?



Mr Smith: Yes, sorry, just to highlight that the previous discussion was useful for thinking about policy in a discrete way in terms of addressing the unique challenges that rural households face and rural communities face. I think it is true to say that the development of the thinking around the manifesto commitment for the home upgrade grant, which was in the Conservative manifesto, is starting to look and focus down on off-gas-grid properties.

It is also right to think about whether or not there is a greater distinction that needs to be made between rural, that is town and fringe communities, on the fringes of towns, and your deeper rural hamlets and isolated dwellings. The approaches there need to be different. Policy, in particular the home upgrade grant, could take account of that difference.

Q144 **Mr Goodwill:** Thank you. Robert, have you any points to make on this in particular?

Robert Tiffin: It comes back to: every house is different, every property is different, and it is down to thorough assessment right at the beginning, whether it is down my street, which is from the 1950s, or whether it be an old and ancient building in the middle of Wales. It is all about thorough assessment and knowledge of what existing products are on the market, how they could best benefit it to bring it into good order and also reduce the carbon emissions, the loading required, the amount of energy required to heat and make that building comfortable.

Going on from there, it is the knowledge of the assessor to look and know about the very modern technology that people are starting to get to know about that could also help that. There are all kinds of things out there nowadays. It is a matter of getting the energy required to heat that property down to an absolute minimum and then bringing in the new technologies and new methods and techniques.

It is the assessor's job to know about all the new products that are out there and the emerging products that could be applied to those properties, taking into consideration its age, its significance as well, in case it is listed or in a heritage area. Every building, whether it is rural or whether it is in a town or a city, is different, and they all have to be assessed accordingly. The knowledge of the assessor of modern technology is also extremely important.

To give you an example, let me set out practical methods of dealing with these solid walls. Wet walls are very cold walls, so how do you get them dried out? If you are in an exposed area of Wales or even an exposed area in Hertfordshire, you could adopt vertical tiling around the outside of the house. No more rain will get to it, and you have suddenly got yourself a brick structure. Brick, when it is dry, is extremely good thermally, so you do not have to do anything other than just dry it out. Then you can recalculate all your demands that are needed. As most people have said this afternoon, it all comes back to assessment, assessment,



assessment—key word—and the significance of the building and type of building; very important.

Q145 **Mr Goodwill:** Robert, I can understand how, as an owner-occupier, you will weigh up the costs of investment in your property with the savings you are going to make on your fuel. Also, you probably have an eye on being able to sell the property eventually. If you are a landlord, it strikes me that all the cost up front does not necessarily result in any more rent. It may save your tenants some of their energy bills, but given that the rental market is not necessarily responsive to energy costs and also the fact that many tenants' rent is determined by what their Universal Credit allowance is, which is pretty much pegged, can you see it as being something that landlords might find more difficult to get their heads around than maybe owner-occupiers, who can see some advantages?

Robert Tiffin: Yes, I agree with that. In my experience of meeting the landlord and tenant, there is always a "them and us" attitude. The landlord is always the rich man that lives on a yacht, and the tenant is a poor chap living in the house. If they could be brought together with a bit more education and maybe incentives for both to listen to each other to accommodate their needs, that would be a great way forward. It would be a great way forward—to try to expand on that—for fuel poverty as well, where the landlord will be the council or the Government, and the tenant is the chap that is on a poor wage. I think there is an education thing there that could be a great advantage on how they would work together, because they are both trying to achieve the same thing. On that note—

Q146 **Mr Goodwill:** Robert, I remember the Warm Front Grants. I think other Members of Parliament on this call will have had people complaining that they got their boilers fitted but then, when they tried to get some redress, when it was not quite as good as they expected, they were fly-by-night contractors. Do you think there is a fear that, if we have generous grants available for some of these projects or, indeed, we force people to do these at short notice, that we will have contractors who maybe do not do a very good job and then just disappear off the face of the earth?

Robert Tiffin: Yes is the answer to that. It is a very high-risk area. There is a move to try to get all builders registered—I do not know if you are aware of that—so we have a registered builder database where all these different contractors have been registered as competent. That all falls in as part of PAS 2030 until 2035.

Mr Smith: I do not know whether or not it is useful to say that there are some true cost savings that can be borne by landlords or fall to landlords if you do make your home more energy-efficient. There is good proof, not in the private-rented but in the social-rented sector, of avoided voids, so less voids, less legal costs associated with chasing rent, and overall less property damage caused by damp and mould. There are some clear



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benefits associated with the maintenance of the property and the costs that the landlords would otherwise face.

We are all concerned to make sure that any energy efficiency improvements that are made are made at the highest standards. That is why the Government has insisted upon pretty strong consumer protection in relation to the Green Homes Grant, which is creating some teething problems for the delivery because it is very difficult to find lots of installers that have the TrustMark qualifications. That is testament to the importance that central government are now placing on making sure that that work is carried out effectively and to a certain quality, and that people have that redress, which—you are absolutely right—is critical.

Mr Goodwill: Turning back to off-grid—

Chair: Joanne was trying to indicate on that point.

Dr Wade: I agree with Peter in terms of the benefits to landlords, and also—it was mentioned in the earlier session—I think we will see an increasingly link between property value and energy efficiency. The benefits to landlords are really going to stack up.

What I also wanted to say was on the quality side of things, again echoing Peter. We are in a very different place than we were with Warm Front. We have TrustMark. We have new standards. We have a much stronger link between Government programmes and having to meet those standards. The industry took a good, hard look at itself and has worked very hard to come up with these standards, so we should all feel reassured that there is much more quality control and much more redress in place than there used to be.

Q147 **Mr Goodwill:** That is good to hear. Turning back to these off-grid homes that may be quite difficult to improve—I read the brief twice and did not quite get my head around this—the question is: there is a risk that if we were to mandate an EPC rating at the point of sale, this could drive off-grid homeowners to use high-carbon sources of fuel. How could this be mitigated? I am trying to work out exactly why people on LPG, for example, would be moving to oil. Is that what—

Mr Smith: I do not know. I do not understand the logic there.

Jonathan Ducker: It could be in relation to what is cheap to run is not necessarily what is good from a carbon point of view, especially when you look at electricity.

Q148 **Mr Goodwill:** Yes, and dependent on having, as we have at the moment, low-carbon electricity. Anyway, moving on finally, this is to Joanne initially. The Green Finance Institute has suggested prioritising rural homes for low-carbon retrofitting or to scale up supply chains. What are your views, and how could this be best financed?

Dr Wade: It is an interesting opportunity. You have two key opportunities here. One is that, when you are off the gas grid and when



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fuel is more expensive, there is much more of a natural incentive to use energy efficiency and, therefore, reduce your costs, so you may have rural homeowners who are more receptive to a finance offer. I think that is partly where that comes from.

Also, we keep saying we do not want to move on low-carbon heating because we are not sure what the best solution is for homes on the gas grid. Let's start with the ones off the gas grid. You can make a clear case, for example, for some rural homes in saying, "This is a good idea for a heat pump". That is where you can start to build those supply chains. It is obvious that you need a highly efficient home with a heat pump in this circumstance. The answer for that home is clear. Let's start with those.

In terms of how we finance them, Peter has already talked about focusing the home upgrades grant towards rural homes. Rural homes are very diverse. You have owner-occupiers who want to become low-carbon, low cost, modern, have a comfortable home. I think the finance community, as we heard in the last session, is there and ready with the money to offer them attractive rates, green mortgage extensions, so I think we have a jigsaw of finance options that are already there ready to go. What we need is the education of the homeowners, the education of the local authorities to say, "Let's start here".

I will come back to my zoning and local energy planning point, which is: let's find those areas where we can really get going with this now.

Mr Goodwill: Thank you. That is very useful. Incidentally, my near neighbours at Castle Howard have done precisely what you suggested and put a heat source pump in the lake, which I think saved them £25,000 a year. Their ancestors very fortunately dug the lake about 300 years ago, so it was there ready to use. That is foresight for you.

Chair: Robert, would that be regarded as a hard-to-upgrade home?

Mr Goodwill: It certainly would, whatever list it is on. It is on every single list but I think they have put quite thick clogs on in some of these houses, as you probably know Philip.

Q149 **Chair:** Jon, if you are indicating and then we are going to move on.

Jonathan Ducker: Just a quick one on that. Overall, there is no one-size-fits-all because there are so many different circumstances people are in, but it does come down to carrot, sticks and good advice. For some we need to look at policies that nudge people towards starting to do things. For those that are unable to pay there needs to be some improved level of incentive to do things.

While we were off camera, I touched very briefly on ECO, for example, which is the only game in town for most of the unable-to-pays. They only have a limit of 17,000 homes a year on solid wall improvements because it is expensive, so the energy companies focus primarily on delivering in the cheapest way they can. That makes good sense for their shareholders so it is totally understandable they do so, but it does mean that very little



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is happening for those. So there you need incentives, other areas you need some sticks.

Overall in England there is very little in the way of good advice. Scotland has got that right, Wales has that right and we haven't.

Chair: A very nice segway for Claudia to ask a few questions around ECO. Thank you, Robert. Over to Claudia Webbe.

Q150 **Claudia Webbe:** Thanks. I have only one question to ask, probably to Peter. Let me just say before I ask that question to Peter, I want to declare that I was a former trustee of National Energy Action, of which Peter is a part.

Peter, I want to follow up on the issue of the rural homes. Before I do that, can I come back on what Robert put in terms of his question around the risk if we were to mandate EPC rating at the point of sale, driving off grid homeowners to really high carbon sources? The issue of course here is that in setting EPC, not only do we want cheaper fuel but we also want low-carbon intensity in terms of the fuels that are applied. There is always a danger—and I think we always wrestled with it when I was part of the National Energy Action—is basically how do you drive fuel poverty at the same time as having carbon effectiveness? These are the issues that probably need to be addressed.

But I wanted to ask: how effective is the sub-obligation of the ECO designed to tackle fuel poverty in rural homes and how could it be improved?

Mr Smith: At the moment it is not effective in terms of addressing improvements in villages, hamlets and isolated dwellings. We know over 200,000 fuel-poor households live in those more isolated rural settings compared to those that are in rural areas but may be part of large rural towns.

Rural towns and even off-gas grid areas with populations below 10,000 people is where that support under the Energy Company Obligation is currently directed to. We know that that is not an effective way of reaching those people most in need that have the biggest affordability issue. It is not effective and that is why we are urging the Government to introduce the home upgrade grant, particularly to tackle fuel poverty in rural areas for those living in the least efficient homes.

Q151 **Claudia Webbe:** Just finally, obviously the notion of tackling fuel poverty and meeting targets is meant to be legally binding. We are struggling to get that legally binding. If there is one thing that you would want to ask of the Government what would that be, in terms of ensuring that we were able to meet these fuel poverty targets, right across the board: rural homes and urban homes? What is it that we need to push the Government on?

Mr Smith: Meet the commitments that you have stated, not only in terms of the Clean Growth Strategy but also the most recent



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Conservative manifesto. That will get us well on track to meet our statutory fuel poverty targets. Although more ambition is needed to decarbonise our housing that is a very, very good first step, so just do what you said you would do.

Claudia Webbe: Thank you.

Chair: We will look forward to Claudia's press release in due course.

Q152 **Alex Sobel:** My questions relate to the effects on consumers. The first question that I think is best placed with Jonathan and Joanne is: how can we minimise disruption in people's homes when installing energy efficiency measures? I know that when I have had it done it does mean in some cases having to leave the house. What can we do to minimise that disruption?

Dr Wade: You go first, Jon.

Jonathan Ducker: Okay. Yes, there is some level of disruption. There is some level of disruption when you decorate. There is some level of disruption when you change your kitchen, your bathroom, when you put in a new boiler. There is some level of disruption when you have building work undertaken. It is not usually a massive amount in the grand scheme of things. This kind of work can be co-ordinated such that the level of disruption is fairly small, working on a room at a time if you are doing any level of internal work. If you are doing external work there can be very little disruption other than noise or some period of time with the heating off, so it comes down to scheduling more often than not.

There are ways around it, such that the disruption is minimal but the benefits can be massive. It is one of those things. Once you have had it done, yes, there is some disruption but isn't my home much more pleasant and easier to heat and live in?

Dr Wade: Shall I just add to that? I think we are thinking about it the wrong way when we talk about: how do we minimise disruption? Yes, behind the scenes as an industry delivering a service to consumers we ought to be doing it in the least disruptive way possible, absolutely. That is down to the industry to do that.

In policy terms, and in the way that we talk about energy efficiency to consumers, we almost start from the apologetic point of view of, "We are just going to have disrupt you a little bit, but don't worry we will minimise it and it will be okay in the end". Why are we not saying, "We are trying to improve your home. We are going to give you a better home", ignoring the disruption bit along the way. You do not normally go to somebody and say, as Jon said, on a new kitchen, "I am sorry, I am going to have to disrupt you but you will have a new kitchen at the end of it". You say, "I am going to give you a new kitchen".

It is about selling the idea of a warmer, more comfortable home and selling it within the wider idea of a better home. That is what we are



giving people. Putting a policy hat on, what we need to do is make sure that people understand where their home has to get to and by when in energy performance terms, what is the final destination. Give them a renovation roadmap to show them how to do it. Then they are in control of when any disruption there is happens and when they get the benefits from this upgrade. So sell it, do not apologise for it. Industry deals with causing as little disruption as possible, because that is our job. Enable the consumer to do it at the time that is right for them, as long as their property gets to where it needs to be in the end.

Robert Tiffin: What Joanne said is absolutely correct. We are on the coalface when it comes to this and, again, it is all about assessment, talking to the occupier, the owner about it, how we can do it, how we can best give them a beautifully nice, new, warm home. If they can move out that is great. They can go and move in with relations or whatever, or on occasions we just convert the upstairs. They have a spare bedroom and so we turn that into the kitchen and we provide this alternative access. That kind of thing and it is all about being on the coalface.

When we go and see a customer to talk to them about what we can do for them, we do not start by saying, "We need to talk to you about our complaints procedure and let you know what it is all about". It is all about saying what we are going to do for them. How we are going to do it and how we are going to deliver it. Of course, when we talk to them we talk to them about the properly qualified people we have on board and the end result, which is great, so that is the way we go about it. I hope that helps to answer your question. It is real coalface stuff that is.

Q153 **Alex Sobel:** Moving onto my next question then, Robert Goodwill touched on this when he talked about the Green Homes Grant. We now have the TrustMark scheme, so it would be useful to get a feel of how the scheme is working. Is consumer trust being rebuilt or being built and how are consumers reacting to that TrustMark scheme?

Robert Tiffin: As far as we are concerned, TrustMark is a very important part of the whole package, everything that has been done, but very few people know about TrustMark. It definitely needs a lot more promotion.

Q154 **Alex Sobel:** Who should do that, Robert? Who do you think should be responsible for that?

Robert Tiffin: That is a loaded question.

Alex Sobel: It is what we are here for.

Robert Tiffin: I think it is part of the Government's awareness package that should go out there that is being constructive about the grants, what they are trying to do and how they are trying to achieve it. They need to explain what TrustMark is about and that TrustMark is there "to protect standards" and to protect the consumer.



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Although we have a lot of phone calls about how can they get their £5,000 grant, very few people—in fact, I do not think anybody—have asked about TrustMark or PAS 2030. Any contractor that goes to carry out any of that work has to be TrustMark and PAS 2030 certified. Without that they are not going to get any grant, and they have never heard of TrustMark, let alone PAS 2030. It is in industry trades.

As far as I can see—and I have lots of notes about this—there is a real public awareness message that the Government have to do, and I am sure they will win cross-party support for greater education by the Government to show the benefits of all of this.

Also, just expanding a little bit more on the benefits, there is not enough information out there as far as easily available information for the consumer or the contractor, in the form of ready reckoners on the different kinds of material that you would use or could use on the inside of a wall or the outside of a wall, and what those different materials could do.

For example, if you want to go down the green route, the insulation that you want to achieve internally would have to be six inches thick to get that if you were to use natural materials. If you use modern, high-tech materials—like PIR or something like that—you can get the same energy efficiency with something that may be two inches thick. If you take six inches off each side of your room, that adds up to a lot of square footage.

There is a lot of information that could be going out there in the form of easily digestible information on how these things can be achieved: written codes of practice on how detail is achieved around a doorframe or a window frame to stop cold bridging, all these kinds of things. Nobody knows about them, let alone there are very few retrofit qualified contractors out there to do the work.

Q155 Alex Sobel: We are going to come onto some of those points. I can see Jon and Peter want to come in. Jon, do you want to come in and then Peter?

Chair: Before anybody else does. We have another vote in quarter of an hour and we have questions—

Alex Sobel: If I make this the last one then, Philip? Shall we move on after this one?

Chair: Yes.

Jonathan Ducker: On the Green Homes Grant, it is a bit of an odd one. It is not a policy that has been developed, been signposted, been put into place to be able to put everything in place that is required for everyone to get upskilled, for everyone to be able to do this in the best way possible, to put forward the level of advice that quite frankly is needed. It is there as part of the job retention and creation scheme side of things. If



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there was a much longer term sign-posted policy a lot of these elements could be put better in place.

It is also important to note that the first of the vouchers have literally only just gone out. We are talking about a scheme and asking how well it is being delivered. The actual answer is not yet. No work has taken place as yet. There is a lot of interest. We had a discussion with BEIS a week or so back in relation to one of the trade associations I am part of. BEIS said it had had 140,000 hits on the website in the first month, so as far as the consumer is concerned, there is an awful lot of interest.

BEIS was also saying there is around about 7,000 applications for vouchers per week, so the level of interest compared to how much work is being pushed out, there is obviously an issue there in conversion that needs to be addressed, so I think that is important.

Robert Tiffin: There are just not enough people there that can deliver.

Q156 **Alex Sobel:** If I can bring Peter in before Duncan asks his question.

Mr Smith: Thank you for that. Just to say that I think homeowners are being frustrated by a lack of installers. One of the main reasons for that is the choice to ensure that installers are TrustMark. In our view, quality standards are non-negotiable and I would just reinforce—particularly in this context—the point that was made about longevity of the policy. Once there is clarity on this policy by the end of March, we will see installers looking to upskill their workforce and secure that upskilling and that accreditation and that constraint will hopefully be lifted.

There are a number of other things that I would have liked to have covered off in terms of potential improvement to the Green Home Grant, but I am happy to write to the Committee and include it as further written evidence if that is useful.

Alex Sobel: That is great. Thank you.

Chair: Thank you very much, Alex. For our last questions before the vote, Duncan Baker.

Q157 **Duncan Baker:** Now the Green Homes Grant has started, we know that any system that you could possibly claim has been rushed out will always lead to some issues. The first question is to Jon. Jon, I came from a builders' merchant's environment before I came here, so I have counted an awful lot of Kingspan products in my time when I was the company accountant. First of all, can you tell me what actual improvements do you think could be made to the scheme that you would potentially suggest?

Jonathan Ducker: It is a tricky one. If you have something that has criteria that are firmly in place for measuring the level of improvement that would be one element. There are measures that are available and funding towards them. That is great from the point of view of getting some level of work done, but, without the full level of assessment



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planning that comes from adoption of the full PAS 2030 and 2035 approach, there is always going to be some level of limitations there.

Equally, the timescale that is in place with the money currently having to be spent before the end of March limits what you can safely get done to some properties. It is the wrong time of year, to be honest, to be doing a lot of external works. If you have some level of an extension that allows those works to be done at the best possible timescale to be properly factored in, and to allow the workforce to upskill to make sure that there are enough installers in a given region to be able to deliver, that would massively help ensure that we get the best possible outcomes for those living in these homes that are going to be improved.

It is positive that this level of scheme is out there and has been put forward. I cannot stress enough that this is something that we have needed. It is just the timescale I would be concerned about myself.

Q158 Duncan Baker: I am going to keep moving because we want to be able to wrap up at the end of the questions because of timing for the vote. It is interesting that you talk about upskilling and the time of year. Certainly, one of the issues that we hear about is that the number of installers available is moderately limited, let's say, considering the size of our country. Robert, what has been your experience on obtaining enough installers? Is it problematic? Are you discovering that?

Robert Tiffin: Extremely. As you know, you have to be PAS 2030 registered, qualified, anyway, and I know a lot of small building contractors. All of them have seen the amount of work that you have to go through to become certified and registered. If you take somebody that is a competent contractor that wants to do this, he is going to need at least three to four months to become PAS 2030 certified. He is going to need at least £2,500, and if he does not have a secretary or PA a lot of his own time in understanding it and dealing with it.

The general feedback that I have had on the ground is that they are not going to do it at the moment. One of the reasons is that they are not sure if this is going to follow on after March. Although they are going to keep the door open to look at it, there is just not the energy or interest to do it at the moment because, primarily, the building industry is very busy at the moment and most specialist suppliers are talking about at least three, four, five or six months lead in before they can get to new inquiries, so that is where we are.

Q159 Duncan Baker: That is quite an issue given that the scheme does not run much of a length of time. If I can move on then to the next question. We understand that the Chancellor in rolling out the scheme—let's assume that it has been successful in its current form and we have achieved what we wanted to do with the 600,000 homes that have been scheduled to be upgraded—would produce roughly a saving of half a megaton in carbon. Do you think that we will achieve this? I suppose that is the next question, Jon. Given the problems that Robert has just



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highlighted and the ones that you have just come up with are we going to fall short of that?

Jonathan Ducker: It is possible. I am aware that BEIS are looking at this issue and also in relation to the Spending Review that has been touched on earlier for continuation. It is timescale. It is not even six months. We were down to four months left before the end of March to get the works completed and paid for, to then be able to get the funding through. It is such a short timescale that I think it is going to be problematic to get all of the potential unlocked.

That said, I have spoken to a number of installers who said that back in the summer, when Covid was at the worst, when employees were being furloughed, they were thinking, "Am I going to make it to Christmas?" and as a job retention thing this has come along at the right time and made them think, "Yes, we can engage with this". But they only have so much capacity. That is where I was saying on the training side of things, to get somebody who isn't trained and who isn't already in this arena up to speed takes time.

I am afraid with some past policy approaches, without an assurance of continuity of work, people have been burnt before and so they are unwilling to invest in a lot of training now when it is such a short timescale. If there was some assurance of policy continuity then, yes, you will get that industry trust and industry engagement and that builds consumer trust by having these standards developed and in place.

It is key to have long-term certainty because that unlocks innovation, it unlocks training, and as Robert was saying it makes people think, "Yes, it is worth the time and effort involved in moving into this area to actually be able to grow the supply chain". Unless you grow the supply chain you are never going to be able to deliver on the levels of improvement we need in the timescale involved.

Q160 **Duncan Baker:** It is a material consideration now as we enter a lockdown that was not forecast when this scheme was first developed. I live in a very rural constituency. People have a mindset of being concerned and worried. There will be works that have been scheduled that I would bet will now be called off because people will say, "We would like to go back into our properties. We do not want to have other people coming into it doing retrofitting work". That is a natural psychological impact of going into this situation that we are in. That is probably something that, of course, no one could have foreseen back when this scheme was developed.

Jonathan Ducker: You are probably right, and with Christmas on top of that there will be a shutdown. It is almost like before you know it we are into January.



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Mr Smith: Plus the potential for inclement weather, just to add that in there. One thing that can stop efforts is particularly cold weather, ironically.

Q161 **Duncan Baker:** Yes. Now more openly to those that have not necessarily had a chance to comment on it, what do the Government now need to do to reach their energy efficiency goals in the long term? If their manifesto commitments were enacted, would it be enough to meet net zero by 2050? If £9 billion or so gets us a reasonable way, what needs to be done? Who would like to answer that? Joanne, you wanted to speak.

Dr Wade: Sure. If the manifesto commitment was enacted—the £9.2 billion—that would be really welcome and that is the next step. That is what has to happen next, but we need £4 billion-plus per year to be invested in our homes even to reach EPC C. That is probably not enough to get us to net zero, so we need a lot more. It sounds like a lot but let's remember that the repairs, maintenance and improvement market in the UK is around £27 billion a year, so it is in addition to that.

People do this stuff. We need to encourage them to do it, so we need the £9.2 billion and then we need people to understand where they have to get to with their homes and some carrots to help them get there. We need it to be in the long term. International experience tells us that you develop demand and you develop supply chains with help for a number of years to establish a sustainable market for this kind of thing. That is what we need to see.

Q162 **Duncan Baker:** Thank you. Peter, I will come to you as the last but I am conscious the Chair will want us to begin to draw it to a close. Just to end, the Comprehensive Spending Review we know has now been delayed but what impact could this have? You can go first, Peter on this. What would you like to see announced in November?

Mr Smith: I would love to see the Government commit to the more targeted home upgrade grant programme, supporting rural fuel-poor households that live in the least efficient homes to upgrade their properties. That would complement a further extension to the Energy Company Obligation, which should run up until 2026, which should continue to focus on low income and vulnerable homes for on-gas areas.

Sitting alongside that it is also crucial that the welcome consultation that is currently out there on the private-rented sector reforms is taken forward swiftly. Last time that there was a fundamental change on the Minimum Energy Efficiency Standards, the F and G regulations, it took over a year and a bit to introduce the reforms to that policy, so it is crucial that that is introduced swiftly if we are to get it on the line, alongside continuation of incentives for landlords to improve their stock.

Finally, much the focus in this discussion regrettably has been in England. The Green Homes Grant is restricted just to England, and there is opportunity with the Shared Prosperity Fund for further investments to be



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made at a UK-wide level to support all nations to improve energy efficiency.

Duncan Baker: Thank you.

Q163 **Chair:** I must call the session to order now but could we have a comment from any of you about your view on VAT rates on retrofit? That was something that was raised by the previous panel. Would anybody like to see that?

Robert Tiffin: Yes, VAT would definitely help; zero rated would be great. Obviously it has to be carefully accounted for so there is no fiddling the books—for the want of a better word—and it will have to be properly monitored but zero rating is a definite driver.

Jonathan Ducker: It is an arrow in the quiver for sure.

Chair: Thank you very much. I am going to draw this to a close. Thank you very much indeed to our panellists, Joanne Wade, Jon Ducker, Robert Tiffin and Peter Smith.