



Environmental Audit Committee

Oral evidence: Energy efficiency of existing homes, HC 346

Wednesday 2 December 2020

Ordered by the House of Commons to be published on 2 December 2020.

[Watch the meeting](#)

Members present: Philip Dunne (Chair); Mr Robert Goodwill; Ian Levy; Marco Longhi; Caroline Lucas; Jerome Mayhew; John McNally; Dr Matthew Offord; Claudia Webbe.

Questions 262-332

Witnesses

I: Rt Hon. Kwasi Kwarteng MP, Minister of State, Department for Business, Energy and Industrial Strategy, Rt Hon. Christopher Pincher MP, Minister of State, Ministry of Housing, Communities and Local Government, Kemi Badenoch MP, Exchequer Secretary, Her Majesty's Treasury, Ben Golding, Director of Energy Efficiency and Local, BEIS, Jon Fuller, Deputy Director: Energy, Environment and Agriculture, HM Treasury, and Emma Fraser, Housing Markets and Strategy Director, MHCLG.

Written evidence from witnesses:

[Department for Business, Energy and Industrial Strategy](#)



Examination of witnesses

Witnesses: Kwasi Kwarteng MP, Christopher Pincher MP, Kemi Badenoch MP, Ben Golding, Jon Fuller and Emma Fraser.

Q262 **Chair:** Good afternoon and welcome to the Environmental Audit Committee. This is our sixth oral evidence session of our inquiry into the energy efficiency of existing homes. There has been a great deal of interest in the inquiry—we have received 124 submissions of written evidence. I am very pleased that today we have with us a galaxy of Ministers with relevant responsibilities. I would just like each of them to introduce themselves and, in particular, state their ministerial responsibility, and then we will invite them to introduce their officials, one of whom is joining each Minister. First, we welcome Kwasi Kwarteng.

Kwasi Kwarteng: Thank you very much for that brief introduction, Philip. I am Kwasi Kwarteng, the Minister of State for Business, Energy and Clean Growth in BEIS, and I have responsibility for energy policy and for a whole range of things relating to our commitment to reducing our carbon emissions to net zero by 2050.

Kemi Badenoch: My name is Kemi Badenoch. I am Exchequer Secretary to the Treasury, and I look after energy infrastructure, general energy, environment and climate policy.

Christopher Pincher: I am Chris Pincher, Minister for Housing and Planning in MHCLG. I have colleagues such as Luke Hall, who is the Minister responsible for local government and devolution, and Kelly Tolhurst, who looks after matters such as homelessness and social housing policy. With us today is Emma Fraser, the director for housing in MHCLG.

Chair: Emma, could you introduce yourself, so that people know who you are?

Emma Fraser: I am Emma Fraser, director for housing strategy in MHCLG.

Chair: Kwasi, you are supported by Ben Golding.

Kwasi Kwarteng: Ben Golding is here from BEIS, and he is very much directing his focus on clean heat and energy efficiency.

Ben Golding: Hello, Chair. I am Ben Golding, director of energy efficiency and local at BEIS.

Chair: Kemi, you are supported by Jon Fuller.

Kemi Badenoch: Yes. I will let Jon introduce himself.

Jon Fuller: Good afternoon. I am Jon Fuller, deputy director for energy, environment and agriculture at the Treasury.



Q263 **Chair:** You have a very big brief. I will start with you, Kwasi. You might recall a Westminster Hall debate at the beginning of this year in which we touched on these issues. Will you start by setting out how you intend to revise the energy efficiency aspirations that were set out in the clean growth strategy, in the light of the Government's other strategies emerging almost on a weekly basis, and in particular the next carbon budget, which is due to be discussed or released by the Government and the Climate Change Committee shortly?

Kwasi Kwarteng: Clearly, a lot has happened since that debate. Principally, one of the things that we are doing includes a consultation that we have put out on the private rented sector, which is looking at increasing the energy efficiency of private landlords' properties to band C by 2028, which is a much higher aspiration than the current regulations, which state that they should have band E by this year. On top of that, we have had the Prime Minister's 10-point plan, the green plan, which extends the green homes grant from the end of March 2021 to March 2022. There is a large funding commitment there, which has been reinforced by the spending review.

We have done a range of things to try to meet the carbon budget targets that you mentioned. We are waiting for the carbon budget 6 from the CCC. You will probably notice that we are not quite on track to meet carbon budgets 4 and 5, but with these new policies, and also increased aspirations with respect to the nationally determined contribution that might come out later in the week, we feel that we are on track to accelerate our performance and hopefully meet those targets.

Chair: If we can turn to the consultation—

Kwasi Kwarteng: Philip, it is a real struggle to hear what you are saying.

Chair: Is that better?

Kwasi Kwarteng: Yes, it is.

Q264 **Chair:** I am afraid you will just have to ignore the fact that you are looking at the back of my head. I am having to speak into the corner of my laptop.

We have received evidence on the private sector and on your current consultation, but in England alone there are about 16.5 million properties not currently covered by the proposed minimum standard of band C. If you are trying to bring those up to standard by 2028, by my arithmetic that is over 2 million a year at the same time as you are trying to deliver some 300,000 new properties a year. Is the construction industry in any way equipped to be able to cope with that level of work, let alone the capital cost?

Kwasi Kwarteng: I think it is a fair point to raise in terms of the skills base, which is something we are very conscious of. One of the things that we have done this year is launch the green jobs taskforce, which is a joint initiative between BEIS and the Department for Education. We are coming



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together to try to address that very issue, about the skills and the capacity to deliver on these ambitious targets.

Q265 **Chair:** We will be coming on to that in a moment. Turning to costs, we had evidence from Leeds, which has provided a proper cost estimate based on the work that they have already done in their housing stock. Leeds City Council has 340,000 homes. They believe virtually every property in Leeds will require some investment. They have calculated a cost of between £7 billion and £16 billion to be able to bring those up to C standard.

The difference is largely based on whether or not the grid decarbonises. Currently, gas-heated properties could be heated by hydrogen, say, and therefore there is less disruption required for the renovation. That makes the estimates given so far by the Treasury and by your Department pale into insignificance. This is a very much larger figure. What have you done to update the cost expected in order to achieve this target?

Kwasi Kwarteng: If we start with the private rented sector, which is where your question started, we think that the cost of the individual upgrade for the private sector landlords will be up to a maximum of £10,000 per property. Our sums say that we think that the average will be £4,700, which is an imposition on the private sector landlord, but we feel that sort of investment enhances the property, because you would have £220 of saving on energy bills and we feel that it makes the property more desirable. As far as we are concerned, looking at the granular picture, private sector landlords will be incentivised to spend the money to improve their housing stock and the things that they own.

We respect to Leeds City Council, I haven't seen the figures behind their working and I don't know what their assumptions are before arriving at that figure. I would have to look at that before engaging with the subject of costs.

Q266 **Chair:** We will provide that evidence in our report, because it is the most granular evidence that we have seen to date.

We have had other evidence. To be honest, I gave you evidence in the Westminster Hall debate of figures that far exceeded the estimate that you have just given us. The Northern Housing Consortium estimated a cost, on average, of £19,300 for retrofit, plus £5,000 for a heat pump. That is £24,300 on average, if you are using heat pumps, compared to the figure that you just gave us of merely £4,000, which wouldn't even pay for a heat pump.

Kwasi Kwarteng: The heat pump issue is separate. Regarding the retrofit, that improves the energy efficiency of the house. That is what our consultation on the private sector, which closes at the end of this month, is looking at. The cost of heat pumps is another thing that we are looking at and trying to figure out ways, as you rightly say, of closing the gap between the costs of heat pumps and the costs of less energy efficient boilers.

Q267 **Chair:** I would like to ask Chris Pincher, the Housing Minister, whether his



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Department has done any work on the cost of achieving these ratings?

Christopher Pincher: It is really a BEIS lead, Mr Dunne, so I do not have specific figures in front of me at the moment. We can certainly try to supply you with them

Q268 **Chair:** If you are the Minister for Housing, presumably you have some idea of what it is going to cost to renovate old housing, or are you just focused on new housing?

Christopher Pincher: We are focused in large part on building new houses, which is why the future homes standard that we are introducing from 2025 is designed to reduce carbon emissions by at least 75% to 80%. Our major focus is on building new homes. Clearly, there is an element of work on building safety, which is a separate topic that is looked after by Lord Greenhalgh. With the Department for Education and BEIS, we are supporting local authorities on issues such as heat networks. BEIS supplies quite a bit of money—I think it is £320 million—for heat networks, which through the auspices of local authorities can support cleaner and more effective use of energy in existing homes.

Q269 **Chair:** But you are not engaged in any of the retrofit work, aside from the heat issue you have just discussed.

Christopher Pincher: I am focused particularly on building new homes, not on retrofitting.

Q270 **Chair:** Kemi, has the Treasury done any work on the actual cost of retrofit?

Kemi Badenoch: I would not say retrofitting specifically. What we have done is look broadly at the cost of energy efficiency, especially for net zero. We have been looking at that very much at a macro level. We have looked at costs in the order of about £45 billion, and we are looking at the cost of heating separately from energy efficiency measures specifically. On heat pumps, for example, that is something that I believe the heat and building strategy is looking at. There will be more information and more detail coming in the coming months and years. We are still very much at the beginning of this process.

Q271 **Chair:** I think you will have signed off the green homes grant scheme, which applied specific amounts that individual householders could apply for. You must have done that with some understanding of the cost of the measures that it is supposed to be funding.

Kemi Badenoch: Yes, but those are the same figures that Minister Kwarteng gave you. The costs are up to £10,000. The average cost of energy efficiency was around £3,000. That was the basis on which we provided funding for that scheme.

Q272 **Chair:** So you haven't challenged those figures. You have just accepted them, although I have just given you evidence that they are woefully inadequate.



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Kemi Badenoch: Our officials work together. We would challenge figures depending on where they are coming from, but we have to work together in order to have an approved scheme.

Q273 **Chair:** We will come on to more questions about cost shortly. Kwasi, you have the consultation out at the moment on energy efficiency standards. Can you give us any indication of when you expect to announce the results of your response to that consultation, and are you anticipating that there will be milestones or targets over a period of years, rather than just a bullet target to get to the end?

Kwasi Kwarteng: Specifically, the consultation I referred to is exclusively in the private rented sector—PRS. You are quite right to say that we are trying to push the energy efficiency standard we are consulting on, bringing it forward to band C by 2028. The response to that, typically, would be a couple of months—maybe two or three months—after the close of the consultation, which I think is 30 December this year, so we would expect some form of Government response in the spring next year.

Chair: That might be around the Budget, for example.

Kwasi Kwarteng: I don't know when the Budget might be, but if the Budget is in mid-March, I suspect that the results of the consultation might be co-ordinated with that. The consultation has not finished.

Q274 **Chair:** And do you expect it to have the granularity of different housing tenures and different targets for different years, or are you just looking to 2028?

Kwasi Kwarteng: Principally, the consultation was about the 2028 date. You will appreciate that, given the fact that the consultation is still open and has not closed, it would be somewhat premature to give you a fixed date as to when our response will be, because we do not know how many people will have engaged. At this point, I do not know how many people will have engaged in the consultation.

Q275 **Chair:** Do you expect to make it coherent with the carbon budget process?

Kwasi Kwarteng: Yes. Everything we do is obviously going to be referred to within BEIS, certainly. Everything we do is referred to the carbon budgets that are legally binding and that the CCC will be advising us on.

Chair: Thank you very much. I will now hand over to Matthew Offord, who will go back to the subject of jobs.

Q276 **Dr Offord:** Good afternoon, Ministers. I want to ask some questions about whether you believe there should be parity between minimum energy standards in the social housing sector and in the private rented sector.

Kwasi Kwarteng: Obviously, there has to be. We split up these sectors because different policies can apply and different levers are more appropriate depending on which sector we are looking at, but the overall



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objective is the same: we want to have net zero by 2050 and we want to drive up the energy efficiency of homes as quickly and as practicably as we can. The aim of the game, as it were, is to drive up standards across the housing sector, whether social housing, private rented accommodation or owner-occupier.

Q277 Dr Offord: The Committee on Fuel Poverty has recommended that the social housing sector should achieve band D by 2025 and band C by 2030. Do you think that is achievable? Is it realistic for that to actually occur?

Kwasi Kwarteng: I think it is. The reason I suggest that is that, as you will remember, because you stood on this manifesto as well, in the 2019 Conservative party manifesto, we committed something like £3.8 billion—I think that was the exact number—to social housing and to exactly this point of driving up energy efficiency. It is important to stress that that was over 10 years. Of the three measures that we committed a huge amount of money to over that period, which were social housing, public buildings and the home upgrades grant, the social housing element was the largest financial commitment. We feel that we can actually achieve what we set out to in that area. It is a crucially important area.

Q278 Dr Offord: I did not catch at the beginning whether you said it is or is not, but I presume from your subsequent answer that it is.

Kwasi Kwarteng: It is—I said that at the beginning and I gave evidence as to why I think it is achievable.

Q279 Dr Offord: Okay, so you sound very confident that that can be achieved.

Kwasi Kwarteng: Yes, I do not see why we cannot achieve it, given the fact, as I have said, of the generous and very comprehensive package that we announced in the Budget to which we are committed. Social housing was the largest fiscal commitment that we made. That is something that we are very focused on.

Q280 Dr Offord: Only time will tell whether that is achieved. I stood on the same manifesto as yourself, but unfortunately, I do not have the powers that you perhaps have in your position, so I will have to wait and see in the longer term.

Kwasi Kwarteng: I am sure you will be supporting us when we do it.

Dr Offord: I will certainly support what you are doing. We want to see outcomes of course.

Kwasi Kwarteng: Absolutely.

Q281 Dr Offord: My final question is about the significance of the risk that mandating energy efficiency standards could have an impact on other services, such as the provision of new social homes. There has been a problem in achieving energy efficiency and the provision of additional social homes.



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Kwasi Kwarteng: If we look at the provision of extra social housing, most of that is bound up in the regulations for new builds, which we do not have massive oversight of in BEIS—it is an MHCLG lead. Talking to officials and Ministers in that Department, they are committed to driving up standards for new builds. Given that commitment, I do not see any reason why new social housing will not have extremely high standards in terms of energy efficiency.

Q282 **Dr Offord:** Perhaps this is an opportunity for Minister Pincher to come in and give the view from the MHCLG.

Christopher Pincher: Thanks, Matthew. Our clear view is that we want the best social housing for people that we can possibly achieve. With respect to affordable homes, as you will know, we announced earlier this year, I think in September, the new affordable homes programme to the value of well over £12 billion, with £11.5 billion of new money for affordable homes. Something like 50% of those will be affordable or for social rent. We think, in total, it will deliver something in the region of 180,000 new homes, economic conditions permitting.

That ought, then, to make sure that where we are responsible for the build-out of new stock, as opposed to the retrofitting of older stock, they will have the best and most up-to-date building standards applied to them. As I say, from 2025 we want to introduce the future homes standard, which will drive out carbon emissions by 75% to 80%, which will make those homes even more efficient and even cheaper from the point of view of energy efficiency and costs to households.

Q283 **Dr Offord:** Finally, Minister Badenoch, your colleague has already said how generous the Treasury has been. You must be sitting from a position of being quite pleased with the largesse of your Department. If these targets are not achieved, where will you look to apportion any kind of—not blame—understanding of where the system has not worked?

Kemi Badenoch: From our perspective, giving the money is the easy bit. The delivery is quite difficult. We always have a view of working in partnership with Departments. We should not just hand over money and then sit back and watch what happens, so that is not what we are going to be doing. Given the economic context that we are in and everything that is going on, the goalposts are moving quite rapidly. Not to mix my metaphors, it is a moving feast. We will be looking at things at various points in time to look at what progress has been made—either what more needs to be done or perhaps how resources need to be redistributed. We are all on the same page in terms of what we need to achieve.

Dr Offord: Absolutely. Thank you very much.

Chair: Thank you, Matthew. We will come back to jobs when we are joined by Claudia shortly. Can we move on now to Jerome Mayhew?

Q284 **Jerome Mayhew:** Thank you, Chair. My questions are about owner-occupiers and how we can stimulate the owner-occupier sector of housing to get up to speed with energy and insulation improvements. Inevitably, I



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will focus my questions mainly on Minister Badenoch. I am sorry about that, but forewarned is forearmed.

We have heard so much information and evidence about the best way to stimulate the owner-occupier sector. One of the suggestions has been to provide low-interest loans. We heard evidence about the PACE system in the US, which were secured loans that were paid back by increased property tax. We also heard evidence from Germany about low-interest loans of up to €120,000 on top of a transaction loan, with an incentive from the state of a subsidy for 40%, to incentivise owner-occupiers to take advantage of this.

To kick this section off, how are you working with the financial sector to develop and encourage low-interest loans? Is it something that the Treasury is getting behind?

Kemi Badenoch: We have a different approach. Loans are treated like capital spend. Therefore, from our perspective if it is Government giving out the loans, it competes with other Government spending priorities. In terms of what we are doing with the financial sector, what we really want to do is stimulate private investment more broadly. That is where the national infrastructure bank comes in.

From our perspective at the moment, covid has taken over. Our primary aim at the moment is economic recovery, so grants are what we are looking at. Grants for homeowners—grants for those who have low incomes are more generous. We want to stimulate activity in this area. We want to stimulate an economic recovery. On the jobs point as well, this is an area where we can upskill fairly quickly and create jobs, so that is the priority.

In terms of what the private sector is going to be doing specifically on this issue, that is not something that we would get involved in on a micro level in terms of things like what kind of loans they are going to be giving. We are looking at the macro level, and infrastructure projects. We will be announcing more in terms of the infrastructure bank.

Q285 **Jerome Mayhew:** But if a product has a subsidy attached to it, that obviously does come back to the Treasury. Is that something you would anticipate any interest in at all from the Treasury perspective, or is it just a non-starter?

Kemi Badenoch: I am not sure I follow the question. We are giving grants, so that is the best subsidy you can possibly give.

Q286 **Jerome Mayhew:** I think the problem with the grants is that they are short term—currently, it is 18 months—and it is very difficult to stimulate a market for the sector to get behind and say, “This is a long-term income stream that we can then invest in and grow from the supply side.” It creates demand, but at the moment, as we all painfully know, we are struggling to satisfy the supply side.

Kemi Badenoch: I think that the struggle to satisfy the supply side is a short-term issue. Over the medium to long-term time period, I would



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expect that the market would step in. I am very keen that we do not believe the Government have to step into every single area of the economy. Even on this, there are areas where we do not specifically need to step in. What we are looking at right now is economic recovery and job protection.

In terms of where we might be looking to stimulate the market, you probably heard about the green mortgage lending consultation. That is a broader area where we can look at what exactly we can do in terms of mortgages to help homes achieve the EPC band C. My colleague John Glen is the one who is looking at that from a financial services perspective, but specifically on the measures alone, I do not believe we have any plans right now.

Q287 Jerome Mayhew: You have mentioned green mortgages, and I am glad that you have. Nationwide, in fact, has given us evidence that they have a £1 billion green mortgage fund—it is called green additional borrowing, I think—and their problem is that not enough people want it. Again, it is the demand side rather than the supply, so I was wondering whether there are any plans for how we can more effectively raise awareness and demand among the public for green mortgages? I will ask you first of all, and then move over to BEIS. Is that something you think the Treasury can get involved in at all?

Kemi Badenoch: I think this is where the consultation would come in, to make sure we are all talking about the same thing when we use the term “green mortgages”. I have not seen the Nationwide proposal, so I do not necessarily know exactly what we would be looking at.

Q288 Jerome Mayhew: Perhaps Mr Pincher might be able to help on that.

Christopher Pincher: With respect to mortgages, Jerome, I think I am right in saying that there are something like 34 mortgages in the marketplace at the moment that have a loan to value of 90%. Before the pandemic, there were something like 5,000 products in the marketplace, and quite a significant number of them had 90% or 95% LTVs.

One of the things we are working on with our colleagues in the Treasury is to work with UK Finance and the lending community to make sure there are products available in the marketplace that can enable people to take out a mortgage, and provide the necessary deposit to buy a property. That is very useful, particularly for first-time buyers—notwithstanding the fact that we have the Help to Buy schemes—because it is the newly built properties that those first-time buyers may be aiming for that are likely to have the best energy performance ratings.

Q289 Jerome Mayhew: In an earlier answer to a question, Minister Pincher, you mentioned that your primary focus is on new builds, and of course new builds are zero rated for VAT. How important do you assess that zero rating for new builds to be in stimulating the new-build market?

Christopher Pincher: It is important, but it is also important that we stimulate the second-hand market. If people are going to buy a new



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home, many of them will be selling a second-hand property anyway, so we need to make sure that the mortgage products on the market apply to those people as well. It is largely a Treasury-led area of focus, but ensuring those sorts of products are also available is very important to making sure people can buy their first-time homes.

Kemi Badenoch: I would probably add to that point that when it comes to stimulating demand, we will have consultations, but these are regulatory measures, and when we bring in regulation, we need to be very careful about exactly who it is going to impact and what it will constitute. It is not something that we would do overnight, but in the medium to long term, regulation is what will change the demand-supply picture.

Q290 **Jerome Mayhew:** We recognise the importance of a low rate of VAT for new builds, which is why the Treasury has agreed a zero rating for that, yet 85% of the properties that will need to be carbon net-zero by 2050 are already built. By far the biggest sector is the already-built sector, yet we charge full VAT on all refurbishment in that sector. I am trying to get at why it is a really good prompt for one sector but not for another sector. A lot of our evidence suggests that we should reduce VAT not to 0%, which is perhaps asking too much, but to 5%.

Kemi Badenoch: It is not about whether it is a good idea or not but about what it will cost. We look at tax changes at Budget, and it has to be looked at completely in the round. The cost of reducing VAT on, say, property renovation is about £4 billion a year. That is quite a lot of money. We need to look at that in the context of the VAT relief on loads of different things requested by the Treasury. If we are going to forgo £4 billion, what will be the impact of that on other parts of the economy? What will we not be spending that money on? Will we have to make decisions on raising taxes, for instance? If we do that, is that fair? What is the distribution of giving a discount to people who can afford to renovate their homes and perhaps having to raise tax elsewhere?

It is not as simple as, "This is a good idea. Let's do it." We have to look at what the impact on public finances will be, and we also need to consider those kind of requests in the context of the report that the National Audit Office published earlier this year, for example, which said that we need to make sure that we provide value for money. I would love to have a zero rate of VAT on renovations—that would benefit me personally. However, when we look at this in the round, it is not always the best decision. It has to be done at a fiscal event, where we understand how we are going to fund it.

Q291 **Jerome Mayhew:** I suppose one factor that you will take into account in your assessment is the economic stimulus that it would provide to the housing and renovation market. Grants are a very short-term stimulus, but a medium-term stimulus, given that we know that there is a problem with the supply side, might be a good thing. Linked to that, and for the sake of completeness, we received other evidence about the efficacy of a reduction in stamp duty or a stamp duty rebate if, after purchase—within a period of, say, 12 to 24 months—an energy efficiency retrofit took



place. There would then be some correlation between a stamp duty rebate and this good behaviour that we are trying to encourage.

Kwasi Kwarteng: If I could come in here, you are quite right that, although this discussion is a Treasury lead, it came out in the CCC, and they debated it a lot. We are engaging with them on these sorts of ideas, in order to encourage, in the way you describe, people to spend money retrofitting their houses. It is part of the debate, certainly.

Q292 **Jerome Mayhew:** I do not want to queer the pitch between BEIS and your negotiations with the Treasury. Minister Badenoch, is there anything you feel comfortable adding at this stage?

Kemi Badenoch: We do not have any plans on stamp duty rebates and so on at the moment. It is a policy that is kept under review. It raises quite a lot of money. We recognise that more needs to be done for owner-occupiers, and we have to look at the appropriate policies to do that. That is what the Heat in Buildings strategy is for. Whatever we do, it has to be effective and it has to be fair on the low-income families. We have to make sure that there is very little impact on the housing market, which is still recovering from covid.

Jerome Mayhew: Thank you so much. I look forward to hearing more from Minister Kwarteng and the plans from BEIS as well. Back to you, Chair.

Q293 **Mr Goodwill:** I would like to ask about energy performance certificates—I am not sure whether Minister Pincher or Minister Kwarteng will claim responsibility. I seem to recall that when they were introduced, there was no great enthusiasm from Government; it was in order to comply with the energy performance of buildings directive foisted on us by the European Union—*[Interruption.]* Caroline Lucas is smiling, by the way—she is not on screen. We were both in the European Parliament way back when. Only 3% of respondents to your consultation on energy performance certificates thought that the EPC assessments were reliable—for example, they take no account of operational performance, the type of fuel that is being used and how the building is being operated. How will your action plan address that?

Kwasi Kwarteng: You are quite right. The other thing I would say is this. I don't want to tread on any sensitivities, but the days when you were in the European Parliament were a while ago and we have completely changed our approach to net zero. The legislation that we had last year has completely changed and refocused the British Government's attention on this.

Specifically with regard to your question about energy performance, this is of course about the energy efficiency of the actual building; it is not about the heat source or whether the source of heating is decarbonised. Clearly, the decarbonisation of heat is a big, big part of the story, but the energy performance certificate, the energy performance level, is exclusively about the nature of the building and the energy efficiency of the building, including the insulation.



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I think that to widen a single metric like that would simply complicate the issue. We have very specific targets with regard to the EPC rating and we should be trying to deliver those, in my view. All our policy or most of our policy with respect to the energy efficiency of buildings and certainly homes hinges on the EPC rating.

Q294 **Mr Goodwill:** For example, I have never heard an estate agent, when putting a house on the market, saying to the vendor, "If you can bump your house up a couple of energy performance bands, then, when we put it on the market, you are more likely to get a buyer." It doesn't seem to be something that is used in that way in either the rental sector or the house vending sector. I wonder, given that we have heard strong evidence that EPCs should be replaced by building renovation passports, what the Government's view is of moving in that direction to have something more effective in order to deliver on your very ambitious targets, which I know the Government really want and mean to deliver on. I am just suggesting that, at the start, EPCs were not necessarily seen by the Government as a way of doing that, but we had to have them anyway because that was what we were told to do by an agreement at European level.

Kwasi Kwarteng: Robert, we don't have to have one metric. There is no sense in which it is a competition and we have to look at the best metric. There is a whole range of things that we need to look at. My contention is that the EPC rating is useful, but of course we have to look at other metrics, which, as you say, look at the operation of buildings and actually give some sense of how the building is used and how it is heated—the heating source. It is not a question of pitting one against the other. As far as the EPC rating is concerned, I don't recognise the picture that you paint of estate agents. I think that actually quite a lot of buyers are very interested in the energy efficiency of their houses, particularly as it relates to the running costs—the ongoing costs of heating the property. I think that is something that people do talk about a lot more than they used to, in respect of trying to buy properties. Yes, we could do more, and it could be a bigger feature of people's consideration, but to say that it isn't a feature is, I think, wrong.

Q295 **Mr Goodwill:** In terms of the private rented sector—I draw attention to my entry, my declaration, in the Register of Members' Financial Interests; I think we probably class ourselves as social housing providers—the problem is that it is the landlord investing in the property but, because there is often a local authority ceiling on the level of benefits that can be paid, the landlord can't get any more rent, and it is a saving that then is made by the tenants. Is there anything we could do to try to incentivise landlords to improve their properties, knowing full well they are not going to get a return on that investment personally?

Kwasi Kwarteng: Again, I think it is a very reductionist way to look at the return purely in terms of the rent. There is no doubt that as the legislation is tighter—as it will be, I am sure, over the next years and decades—the value of the property is enhanced. If you are a landlord and you are spending money improving the energy efficiency of your property,



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that is an enhancement on the property, and landlords see that. If you are a tenant—I am not just talking about social housing here—the running cost of the energy will be lower and therefore these properties become more attractive in the way the market operates. I do not see that it makes sense to think of private landlords losing out from investing in their properties in this way.

Q296 **Mr Goodwill:** I think maybe private landlords, particularly at the bottom end of the market, would like to see a few carrots as well as the sticks that your Department uses.

Kwasi Kwarteng: We are always looking at ways, certainly in BEIS, to encourage landlords, and also owner-occupiers, to make these adjustments and make this investment.

Mr Goodwill: Thank you. Back to you, Chair.

Q297 **Chair:** Thank you, Robert. I lost the ability to use any of the keys on my keyboard, but that has come back.

Can I just follow up on that question, Kwasi? We have had evidence that there is a lot of dissatisfaction about the energy performance certification system actually measuring what you say it does, which is exclusively energy performance. Perhaps Mr Golding could come to our aid here. My understanding is that this was originally introduced as a measure of fuel poverty. I should also declare an interest: I have some rental property and my personal experience, in addition to the evidence we have had, is that if it is more cost-efficient for the occupier to use, for example, a gas installation, that gets higher points on the energy performance certificate than a non-fossil fuel-based system, because it is measuring fuel poverty, not energy efficiency.

Kwasi Kwarteng: Ben, do you want to come in on this?

Ben Golding: Yes, I am happy to come in on that, Minister. The EPC actually has two main metrics within it. The headline, which is what most buyers will look at and is what current regulations are based on, is the cost metrics. That is based on the cost of the property per square metre in energy terms. It also contains within it a carbon metric, which is about the carbon intensity of the property. Both of those are in the existing EPC. The things that will change over time as we update the data that feeds into that cost metric are things like the impact of the gradual decarbonisation of the electricity grid. That will change what technologies will help to move up the bands. That will help to get a more accurate picture. In the EPC action plan, which is a joint BEIS-MHCLG effort, we are absolutely looking at ways to enhance the measurement, the effectiveness, of EPCs, because we recognise there has been criticism over time of whether they be more accurate: could they be a better guide to consumers? I hope that we will be able to move increasingly in that direction.

Chair: That is very helpful, thank you. Now I would like to move on to the green homes grant.

Q298 **Caroline Lucas:** I was going to come back to Minister Kwarteng, if that is



okay. TrustMark told us that only just over 1,200 businesses were PAS-certified¹ and that they would take part in the green homes grant. How will that scheme deliver the scale of your ambitions for 100,000 jobs and maybe 600,000 homes, when most construction companies are SMEs?

Kwasi Kwarteng: I think it is a fair question, but what I would say is that the take-up in terms of accreditation was very much hampered by the fact that people thought, until very recently, that the scheme would come to an end at the end of March 2021. Anecdotally I was being told that people who could do these installations felt that because the scheme was only going to run for six months, they didn't have the incentive to get the necessary accreditation. Now we have announced, as you know, that we are going to extend the scheme to the end of March 2022. Obviously, time will tell, but we feel that the extension will encourage more installers and more traders to seek the TrustMark and therefore increase the capacity, the number of people who can actually deliver on installing the measures.

Q299 **Caroline Lucas:** Have you been talking to people from the Federation of Master Builders? When they gave us evidence a week or so ago, they told us that they needed a 20-year transformation programme, not just lurching from one year to another year to another. What is happening is that still—*[Interruption.]* May I just finish my question? Still there is not enough confidence that this will go on for longer than a year and a half so that it is worth making the investment. We heard that it can sometimes take companies a couple of months to get accredited, so why would they do that if they do not know from one year to the next? Why could you not give them five years at the very least, if not 20?

Kwasi Kwarteng: You will know that the green homes grant was partly a covid recovery measure. The money committed to the green homes grant is part of the wider recovery measures post covid, so it would not make sense. We have only a one-year spending review, and we did not feel that it makes sense—

Q300 **Caroline Lucas:** You have got £9 billion in your Tory manifesto.

Kwasi Kwarteng: Forgive me, but you asked me not to interrupt you, so I kindly ask you to show the same courtesy, if I may. It was specifically for the covid recovery. You are quite right to say that we have a £9.2 billion commitment in the manifesto. It is clear to me—I will be arguing the case within Government—that we need to fulfil that commitment and we need to have other schemes whereby we can actually spend the money that we promised on the measures that we have described. The green homes grant was a specific, time-limited measure that we have extended. As a consequence, we hope that more people will come forward and get accreditation. I am surprised that it takes as much as two months—I will look into that. My understanding was that it took about five days, but clearly, if there are problems with companies and firms getting quick accreditation, that is a serious problem that we need to look at.

¹ This exchange has been corrected following receipt of written evidence EEH0128 (United Kingdom Accreditation Service) (not yet published).



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Q301 **Caroline Lucas:** We certainly heard some evidence to that effect, although, to be fair, TrustMark also sounded surprised. If you could look at that, that would be excellent.

Kwasi Kwarteng: I would be very happy to do that.

Q302 **Caroline Lucas:** Coming back to the central point here, I do not see why the green homes grant could not be the front part of your £9 billion investment. The problem is if companies think that the scheme is going to change again in 18 months' time. I come back to the fact that the criteria might change and the accreditation might change, so there still is not the incentive built into the system so that it is worth people going through that process. If you have not consulted the Federation of Master Builders—I don't know whether you have—you would not know that. Why was the building trade not consulted during the creation of the green homes grant? We were told they were not consulted.

Kwasi Kwarteng: I have had conversations with them. You will know that the green homes grant was very much, as I have said, part of the economic response to the covid crisis, and we acted at speed. But I speak a lot to the Federation of Master Builders, and I know some of their concerns. The other thing I would say is that the green homes grant is only part of our answer to this particular question. You will know, Caroline, that we have a home upgrade grant—the £2.5 billion that we promised—which is separate. As far as I am concerned, there is an ongoing discussion about this, but there are more funds committed, which we promised for the upgrades that you want to see and that we all want to see.

Q303 **Caroline Lucas:** I appreciate that you had to act at speed, but I still find it rather strange that you did not consult the key people who you will need to have on side in order to make this programme effective. What they have said is that, had you consulted them, they would have made suggestions for the simplification of the programme and the fact that it is too confusing. Is there anything that you can do at this point to simplify it?

Kwasi Kwarteng: We are always looking, Ms Lucas, at trying to make the system more efficient. We are always having conversations about tweaking the offer, and I would hope that in the new year we may have some progress on this. We are obviously reviewing the roll-out, and the question you raise about simplifying the offer is a fair one. That is being discussed.

Q304 **Caroline Lucas:** I look forward to seeing the changes early next year. Our Committee actually conducted a survey of people who have tried to access the green homes grant. As many as 86% said that their experience was either poor or very poor. I wonder what you have learned already from the scheme's implementation. Can you be more specific about the improvements that you plan to make? You have only 14% of people saying that they are having a positive experience. Given that this comes on top of the green deal, which was, again, not rolled out in a successful manner, you risk people just losing confidence in the scheme.



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Kwasi Kwarteng: Look, I think what you say is fair. I do not know what the polling was or what data that refers to, but I think there have been improvements already in the roll-out. The initial hard stop in March 2021 was clearly not enough time to get the scheme rolling and to get people to buy in. We extended that only two weeks ago and we have to see how the roll-out is improving. I think it is. More professionals are getting the accreditation that they need to install the measures. More people are aware of the measures. Clearly, this will be under constant review, and I have no doubt that you will be constantly reviewing the data and holding us to account.

Q305 **Caroline Lucas:** May I just clarify one last point? Before you extended the programme for the extra year, which is welcome, did you speak to a number of people within the sector, such as the Federation of Master Builders? I am surprised that they did not advise going for longer than that period.

Kwasi Kwarteng: I will get back to you on that. I had conversations with a number of people. Also, clearly, the extension was a Treasury measure. I am not sighted on who they spoke to ahead of the extension, but that is something on which we can certainly get back to you.

Chair: I strongly encourage you to speak to them, because when they gave evidence to us a couple of weeks ago, they told us that, of their 7,000 members, only three had accreditation.

Q306 **John McNally:** My first question is to Minister Badenoch, followed by Minister Kwarteng, about the ECO programme. Jenny Holland, from the UK Green Building Council, said: "ECO is inherently regressive. The lower income households spend a higher proportion of their income on energy bills". Michael Lewis, from E.ON, noted that ECO is "a highly regressive form of taxation. It should be in general taxation... Putting it in the electricity bill is the wrong thing to do." Chris Stark, the chief executive of the Committee on Climate Change, said that "lumping costs on to the electricity bill is a regressive step, so we need to think about broader mechanisms".

Those are very highly respected people. All those witnesses told the Committee that it is regressive to pay for ECO from all customers' bills. Why do the Government not use general taxation to fund fuel poverty? Minister Badenoch, will you go first, please?

Kemi Badenoch: The energy company obligation is a proven delivery model. It has upgraded more than 2 million homes, which confirms that that approach works and helps to provide the energy efficiency industry with the confidence to invest now in jobs and training. We should not be looking at it as a tax; we should be looking at it as exactly what it is trying to do. The Government are committed to keeping bills under control. We need to consider the distribution across when we are designing policy. We believe that we have minimised the impact on bills, while maintaining fiscal discipline.



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There are many different ways in which we can achieve energy efficiency. We cannot do it all through spending or through tax; some of it has to be regulatory and within schemes such as ECO. We believe that it is working.

Q307 **John McNally:** Well, that would seem to contradict what those other people said, but it is your decision to make, and I understand and respect that. Minister Kwarteng?

Kwasi Kwarteng: I fully endorse what my colleague, Minister Badenoch, said. There is always a debate about policy costs and who is best placed to shoulder them. The energy company obligation scheme has been extremely successful, as my colleague from the Treasury pointed out. There has been something like 2.9 million measures since it was introduced in 2013, and 2.2 million homes. It has been exclusively focused on people in fuel poverty, so it is not true that it is regressive in that way. It is directly focused on fuel-poor households—the scheme is 100% focused on those—and it is currently worth £640 million, so the scheme has achieved a lot of good outcomes.

On top of that, Mr McNally, I would refer you to the warm home discount scheme, which is another fuel poverty measure that is focused almost exclusively on people in fuel-poor households. Again, that takes £140 off the annual bill. Since 2011, when it was introduced, it has dispersed something like £2.7 billion. It is an effective tool in the fight against fuel poverty.

Kemi Badenoch: I would say one other thing about who this is impacting. We have numbers that show that dual fuel bills have reduced by over £800 million across the country. I think that is quite phenomenal. We are doing this and reducing bills at the same time. I guess we have a different view from the evidence that you have received.

Q308 **John McNally:** Obviously you have. That has been quite apparent. Can I move you on to another quote from Jenny Holland? She said: “It is worth saying that England has the dubious distinction of being the only one of the four UK nations that does not spend a penny of public money on energy efficiency for fuel-poor households”. Energy efficiency and fuel poverty, as the three of you will know, are partly devolved. Scotland and Wales offer a central fund to support households: Warmer Homes Scotland and the Nest scheme in Wales. They are both national funds open to applications from vulnerable homes, either as individuals or through local authorities or charities.

Are you going to follow the devolved Administrations’ approach and provide additional top-up funding for fuel poverty? Some of the figures we are receiving on the amount of people who have died during winter in the last five years are quite astonishing.

Kwasi Kwarteng: I would love to have this conversation with Jenny. I do not recognise this at all. We have outlined the warm home discount, which is directly affecting households suffering from fuel poverty. As I said, since 2011 it has dispersed £2.7 billion. The energy company obligation is worth £640 million a year. The green homes grant specifically has a voucher



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worth up to £10,000, 100%, for households in fuel poverty to upgrade their homes, so I do not recognise this picture at all. I do not quite know what her definition of a fund is. Clearly, a huge amount of taxpayers' money is being directed to fight fuel poverty, and I do not recognise her characterisation of this picture in any way.

Q309 **John McNally:** I do not want to get involved in a spat, but it might be worthwhile. You are going to have to have a difficult conversation, I would suggest to you, in a very short period of time with these people. They are representing huge bits of research. They are not producing the figures out of thin air.

Kwasi Kwarteng: Clearly, I would love to have that conversation with these representatives, because sitting where I sit, and sitting as a constituency MP, seeing the impact of these schemes and the amounts that have been dispersed, I think that is a grotesque characterisation of what we have been trying to do, and working very hard to do, over the last 10 years.

Kemi Badenoch: If I could follow up on that point, it is very difficult to comment on what is happening in the devolved Administrations, because we are not necessarily sighted on what the policies are, but I completely endorse what Minister Kwarteng has said. It is not just the ECO and the warm home discount. We also spent nearly £2 billion on winter fuel payments. We have the cold weather payment.

From my perspective, the whole purpose of devolution is that every nation does what is right for them. If what you are saying is that everybody should be doing the same thing, why have devolved policy? We do what is right for each individual nation; we do not just have exactly the same thing.

John McNally: I shall keep in mind very much what you have just said.

Q310 **Marco Longhi:** May I declare an interest as a private rented sector landlord? I draw the Committee's attention to my entry in the Register of Members' Financial Interests. Also, I have been a local councillor in the black country for over 20 years, and I still hold that role.

I would like to start off by asking a question that would perhaps be more for Minister Badenoch.

I want to come back to a comment that Minister Kwarteng made when asked about the ways of incentivising landlords to fund some of these schemes, which I am clearly a supporter of, as a member of this Committee, and always have been. I must admit to being concerned about the responses that I have heard so far, because there is a clear conflation between the revenue that suddenly needs to be found in a fairly short space of time to fix these things with a capital gain that might be realised at some point in time in the future, which is subject to the vagaries of the market. One would assume that, perhaps, house prices might increase, but if all houses have reached the point where they are mandated to have these improvements, there is no relativity to show that



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one house is better than another, because, if all houses have been improved, there is not that relative mechanism for saying that one house is worth more than another.

If we are looking at recovering that cost as and when the capital gain is realised, which is when a property might be sold at some point in the future, there will clearly be a capital gain to be paid in terms of taxation. What other mechanisms or tax allowances for landlords, specifically, could we look at to drive energy efficiency improvements in their properties? I have to say, a good three quarters of properties are not owned by multimillionaire corporate landlords; they are owned by individuals, who might own three, four, five or six properties and rely on the rental income for income as such. They might have to suddenly find £30,000 or £40,000. I could really do with an answer to that.

Kemi Badenoch: I think there is quite a lot in your question. There is a whole stream around capital gains, which I do not think I can speak to. The purpose of what we are doing is twofold. One, we want to achieve net zero. Two, we want to stimulate an economic recovery and have a green recovery.

Within that context, we understand that landlords will be feeling some pressure, especially on the covid front. We acknowledge that things have been difficult for them and we have been working to ensure that they benefit from the subsidy schemes, for example. We are proposing a phased trajectory for implementation, so the requirements applying to new tenancies from 1 April 2025 and all tenancies from 1 April 2028 mean that landlords will have up to seven years to plan and save for these works. These costs should be manageable for landlords. I recognise that not every landlord is a millionaire. The cap is £10,000. We expect the average property spend to be £4,700, which is less than half of that upper limit. We believe this is manageable.

On your question on tax allowances, we have no plans to use tax allowances to mitigate the changes. They are in the best interest of tenants. They are also in the long-term interest of landlords. We have not talked about the net zero review, but one of the things that we have acknowledged is that going to net zero will have costs for everybody, whether Government, businesses, individuals, landlords, etc. Distributing those costs in a fair way is key. That is what we are looking at in the short, medium and long term.

Kwasi Kwarteng: I think Minister Badenoch made the point very well. Mr Longhi, in terms of the capital investment, every capital investment requires up-front capital for an uncertain return at some point in the future. That is essentially the definition of investment. Having said that, given what Minister Badenoch said about the length of time—the fact that the EPC band C will be mandated for 2028—we feel that the market, particularly on the supply side in terms of landlords, will have time to adapt to it.



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I feel strongly about this, as someone who has owned rental property in the past. I represent a constituency where many of my constituents are as you described. They are not multimillionaires. They are not people who have had careers in big corporates. They are very ordinary people who have put some money away over many years into rental property. For landlords like many of my constituents, I think this is an opportunity. Many of them do try. They may have some reservations about the net zero plans but they understand that they are enhancing their properties when they make that kind of investment, and that is what I was trying to refer to—saying that it is not just a dead loss; as a landlord, you are enhancing your property, by making it more energy efficient.

Q311 Marco Longhi: If it such an attractive proposition, why is there not a queue of them trying to do it on a voluntary basis? Anyway, I have heard the answers and I think I still have to place on record my concern. I have other questions, so I will move on.

Minister Pincher, we often passport enforcement activities to local authorities, who will then say, "Well, where is the funding for this?" What steps are we taking in terms of asking local authorities to carry out enforcement action to make sure that they are adequately funded for these activities?

Christopher Pincher: Hello, Marco. It is good to say hello to someone from a similar part of the world. I know Dudley and Walsall pretty well, as you will appreciate.

We have done a number of things to support local authorities with their enforcement activities. I point you to three things. First, we have refreshed and consolidated the enforcement guidance, so that it is as clear as it possibly can be about the powers and responsibilities that local government have. We have provided a national training programme. It is an online training programme to help councillors and officers to understand what that guidance is and how they should execute their enforcement responsibilities. Since 2019, over the last year or two years, we have provided something like £6.7 million in grant funding to support local authorities with their enforcement activities. I think that has helped something in the region of 180 local authorities with their enforcement responsibilities. There has been funding, there has been a refresh and clarity and guidance provided and there has been a training programme.

Q312 Marco Longhi: Would you know roughly how many penalty notices might have been issued under the minimum energy efficiency regulations?

Christopher Pincher: No, because that data is collected locally. We don't collect it at departmental level. We don't have access to it. It is held by local authorities. One would have to go directly to them. It is a question that I might ask the Local Government Association. From memory, I am speaking to them on 9 December about a variety of topics. It is possibly something I can ask them and they may be able to provide you with an answer, but I can't commit on their behalf.

Q313 Marco Longhi: It would be interesting. It would be a measure of



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understanding how effective the system is.

Christopher Pincher: With the usual caveats, I will ask the question for you.

Q314 **Marco Longhi:** Thank you. Have you considered a mandatory landlord register or licensing scheme for landlords in relation to energy efficiency? Do you see pros and cons to that particular approach?

Christopher Pincher: There is the challenge of placing greater and more onerous duties on business people, particularly at this time of the economic cycle, with the difficulties that we face, versus the value of providing useful data.

Marco Longhi: That is quite nice to hear, actually.

Christopher Pincher: We do try to balance the competing challenges. We have the database of rogue landlords. We have the rent repayment orders, the banning orders. We have given local authorities quite a suite of tools with which to make sure that enforcement is properly done, so we keep policies, as Ministers will always say, under review, but there is no current plan for a mandatory system.

Chair: I am conscious that we have only 25 minutes left, so we should keep our questions and answers tight. I now go to Claudia Webbe, who has joined us.

Q315 **Claudia Webbe:** My questions relate to jobs and the whole issue of the green jobs taskforce. Indeed, we have a real opportunity in terms of the energy efficient investments that could be made. Obviously, that could kick-start the economy. What I want to ask the Minister from the Ministry of Housing, Communities and Local Government, in welcoming the creation of the green jobs taskforce, is, when can we expect it to deliver its action plan?

Kwasi Kwarteng: Forgive me, Claudia, but may I answer that question? The green jobs taskforce was a BEIS and DfE initiative that was started only this summer. I will allow my colleague to come in, but it is something that I was directly involved with.

Claudia Webbe: Sure. Please go ahead.

Kwasi Kwarteng: You will appreciate that BEIS has real ownership in terms of the net zero challenge, but it was felt in the summer that, particularly in the light of the covid pandemic and the economic challenges it posed, we should have a green recovery and that an important element of the green recovery was to create green jobs. Minister Keegan from the Department for Education, who is not here, and I decided to bring together the experts across our different Departments and important stakeholders to drive a green jobs focus for the recovery.

We set up the taskforce in the summer. We have had three meetings so far. We fully expect the taskforce to report back in the first quarter of next year with an action plan. You will be pleased to know that, as members of the green jobs taskforce, we have a wide range of stakeholders from



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across the economy. We have business people. We have trade union representation. We have academics. We feel that, in that forum, we can come up with some really practical ideas to help to drive the green recovery. That is ongoing work.

Q316 Claudia Webbe: I assume that you are planning for post-covid, or even before, because obviously it has the potential to create a significant number of jobs. Data from the New Economics Foundation suggests that we are looking at potentially well over 100,000 jobs in year one alone. By year four, that is almost 400,000 jobs. So you can imagine that everybody wants to know when that will start and when we will see those jobs in place. Do you want to say a bit more to concretise when we can expect those jobs?

Kwasi Kwarteng: You are absolutely right, Ms Webbe, to draw the distinction between immediate effects, in terms of the post-covid recovery, and longer-term ambitions. One of the jobs of the green jobs taskforce is to look at those different timeframes in particular. There are things that we can do in the immediate future that can stimulate jobs quickly, and then there are other strategic considerations where we want to build out jobs for 10 years' time.

In terms of the green jobs piece, we have something like 460,000 jobs that can be described in that way today, and we look to build that out to 2 million by 2030. We are looking at all sorts of things, such as the range of skills, what skills we need, and what the industries and technologies of the future are that we want to invest in.

We have already committed to doing so. If you look at CCUS, which is carbon capture, usage and storage, we have upped the level of investment in that. I am pleased to announce the hydrogen strategy, which will be launched in the first quarter of next year. We feel that the target that the Prime Minister announced of 5 GW of hydrogen production capacity by 2030 could itself create up to 50,000 jobs, so there is a lot going on in this space. I would be very happy, once the green jobs taskforce completes its initial work at the beginning of next year, to come before you in whatever forum you like and explain more of those findings.

Q317 Claudia Webbe: Sure. I think we are going to want to hear from you again, because I particularly want to hear, for example, whether or not instigating a fiscal stimulus like, for example, band C by 2030 would create jobs now.

I want to talk about local government in relation to this, so may I ask Minister Pincher a question? How are local authorities being included to reflect local needs?

Christopher Pincher: We are working with BEIS, as Minister Kwarteng has adumbrated, and with DfE on local council and local authority involvement. You are right to suggest that they are close to the ground and know what their communities want and need. They also have their own business networks. For example, the Tees Valley LEP, which I know does not cover your constituency but covers 31 local authorities, has



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been invited to join the taskforce. Although it is not within my Department's purview, as Kwasi Kwarteng mentioned earlier, I think with regard to heat networks, for example, £320 million is made available to heat networks, which can be particularly useful for local authorities where there is high demand. That can specifically engender job creation among the SME community.

In the Housing Department, we are particularly focused on that area because, as we recover from the emergency, we need to make sure that we have good local SMEs constructing properties—be they for commercial or residential use—as well as the big developers. That competition enhances diversity of product and tenure and makes sure that we have the supply chain in order to build the numbers of homes that we want to build—the 300,000 homes a year by the middle of this decade.

Q318 Claudia Webbe: Thank you. Minister Badenoch, will the Government be funding a dedicated training programme to support what Minister Kwarteng indicated in terms of the creation of 2 million green jobs?

Kemi Badenoch: Are you referring to the green jobs taskforce?

Claudia Webbe: Absolutely.

Kemi Badenoch: That does not have its own funding stream. It draws together the £3 billion of green investment from the summer economic update and £12 billion from the 10-point plan. For example, part of the green homes grants scheme has a £6.9 million training programme via the Midlands Energy Hub, and that aims to create 5,000 installer training opportunities. We do not have a separate bucket for jobs, but within everything there is an element that will target jobs.

Q319 Claudia Webbe: But there will be a need—Minister Kwarteng might support this—for a dedicated training programme in order to deliver this rapid increase in green jobs.

Kemi Badenoch: I think that that would be assuming that just one type of green job is being created. I do not think that that would be the way to deliver such a policy.

Kwasi Kwarteng: I think Minister Badenoch is right. When we talk about the 2 million jobs, they will not all be funded by the Government. In fact, very few of them will be. If you look at the offshore wind market, for example, it has seen something like £94 billion invested since 2012, but the vast majority of that has been through private capital. The mobilisation of private capital and resources from the private sector have delivered these jobs.

The green jobs taskforce is looking at the areas of the economy and the skills we need to promote but, as Minister Badenoch said, it does not have dedicated funding as yet for itself. We are driving the policy.

Q320 Claudia Webbe: And you are saying that there will not be a dedicated training programme. If you set aside the funding for the moment, you are suggesting that this is all going to happen without even a dedicated



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training programme.

Kwasi Kwarteng: What I am saying is that, because it is a joint venture with the DfE, the DfE will have ownership particularly of the skills and the training aspect of it. This is something that we will be looking at across Departments, but the green jobs taskforce itself is not something that has a bucket of capital that it can disburse in that way. We are scoping out the policy and trying to work out where the strategic needs are, and once we have reported, then we can actually act on the findings of the taskforce, yes.

Chair: Thank you very much. We do not need to continue this now, because we will be doing an inquiry into green jobs shortly.

Claudia Webbe: Absolutely. If I might ask one more question of Minister Kwarteng?

Chair: Very quickly, please.

Q321 **Claudia Webbe:** How are you working with the Construction Industry Training Board and the National Skills Fund to ensure that skills such as heat pump installation or retrofit co-ordination are developed through colleges?

Kwasi Kwarteng: This is exactly where the green jobs taskforce adds a huge amount of value, because it is the first forum of its kind in this country. It brings together academics, trade bodies, trade unions, and Ministers and officials to talk about these very questions. I look forward to you interrogating me even more closely about what we have done and what we intend to achieve through that taskforce.

Claudia Webbe: Thank you, Minister Kwarteng.

Q322 **Chair:** We will take you up on that offer when we get into our inquiry in the new year, Minister.

I have a couple of very quick questions before handing over to Ian Levy. We have had evidence from local authorities that they are looking to put together area-based schemes to both develop the social housing they are responsible for, and provide grant opportunities for owner-occupiers. Are you looking at any area-based funding schemes, and could local energy hubs play a greater role? I think this question might be best for Kwasi.

Kwasi Kwarteng: As you know, Philip, within the green homes grant about £500 million has been earmarked to be deployed on a local authority basis. What that means is that the individual area local authorities are responsible for making those grants, so there is very much a geographically sensitive approach to a lot of this spending.

Q323 **Chair:** Will you take bids from individual areas, or will that be allocated evenly across the country?

Kwasi Kwarteng: The £500 million will be allocated according to a formula. Those areas will be able to get some of the money, and they can apply and hand out those grants in the way they see fit. What we do not



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want to do is simply have a central distribution, or people applying to a central pot, for all the moneys that are available. I think there is a strong local authority element to it.

Ben Golding: May I come in quickly on that? You asked specifically about the role of the local energy hubs. The Minister is quite right to draw your attention to the element of the green homes grant that will be done through local authority delivery. While some of that will be done through a central bidding process, local authorities are actually using the local energy hubs to manage and oversee the distribution of some of that fund, so they are taking a specific role there.

Q324 **Chair:** Thank you. Can I just turn to Kemi and the Treasury? Obviously, we were all disappointed that the spending review became a one-year rather than a multi-year, for understandable covid reasons. Given the challenge that we have to deliver this net zero requirement over the next 30 years, it was disappointing that the energy efficiency measures—which are such a significant component in delivering net zero—were extended only by one year. Did you not look at a longer-term settlement for such schemes?

Kemi Badenoch: When we look at what the spending review was trying to do, we cannot look at it separately from the Prime Minister's 10-point plan. That was the net zero vision at this point, and the money that we gave within the 10-point plan does go over a multi-year period. Retrofitting existing buildings is an energy efficiency measure and a key element of the 10-point plan. It might not have been something announced at the spending review, but it is part of the spending review settlement.

Q325 **Chair:** Yes, but that was only for one year. Perhaps I can turn to Kwasi, and the heat and building strategy he has referred to. The news about the hydrogen strategy is very welcome, confirming that that is coming out in the first quarter with the Prime Minister's ambition from the 10-point plan, but when do we expect to see the heat and building strategy?

Kwasi Kwarteng: The heat and building strategy was—I am being very frank and open here—due this year, but of course we wanted to make sure that we got the energy White Paper out before the heat and building strategy was published. Our intention is very much to see the energy White Paper published. I am pretty confident that the heat and building strategy will come out within a month or two of the publication of the energy White Paper. I am pleased to report that the work is well under way and we hope to meet that deadline.

Q326 **Chair:** And the energy White Paper?

Kwasi Kwarteng: The Secretary of State said it would come out this year, and I fully expect it to.

Chair: That is very helpful. We will look for that shortly. The last set of questions is from Ian Levy.

Q327 **Ian Levy:** Thank you, Chair. We are quite tight for time, so I will direct



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my first question to Minister Badenoch. We welcomed the announcement of the UK infrastructure bank. What role will it have in improving energy efficiency in the future?

Kemi Badenoch: The infrastructure bank is something that we are very excited about. At Budget we will set out a little more about what it is going to do. It will hopefully be semi-operational in an interim form from spring 2021. So what is it going to be doing? The bank should play a leadership role in supporting private infrastructure projects, so they can help meet the Government's objectives, not just on net zero but levelling up and economic growth. It will operate within a mandate set by the Government and will have a high degree of operational independence. There are many things that we expect it to do. It should be co-investing alongside private sector investors such as banks and sovereign wealth funds and so on, and it will offer guarantees through existing UK guarantee schemes on debt, equity and hybrid projects. Much of the detail on how exactly it will work will be announced in the coming months, early next year.

Q328 **Ian Levy:** Thank you, Minister. I appreciate your answer and look forward to hearing more about that. My next question is for Minister Kwarteng. How are you planning to support the supply chain for natural fibre insulation in the future?

Kwasi Kwarteng: Supply chain issues are things that we are always mindful of in BEIS. I can point to the 60% target that we have for offshore wind. Clearly, things like the green home grant and our push to improve energy efficiency are things that we feel we should invest in in this country, and the supply chain is something that we look to. We do not have specific targets, but a lot of the supply chain is already based here in the UK. That is the nature of insulation and the nature of bringing in installers to people's homes; they generally tend to be UK-based.

Q329 **Ian Levy:** Following on from that, would you consider sustainable insulation materials in public buildings as has been done in France and Wales?

Kwasi Kwarteng: We are looking at all sorts of issues relating to the actual materials used in public buildings insulation. That is not something we have touched on here in this forum, but you will know from the manifesto that some £2.9 million has been earmarked for public sector buildings. Within that, there is a debate to be had about the kinds of materials that companies can use. I think in your constituency there is a number of installers using interesting, innovative materials.

Ian Levy: Yes.

Kwasi Kwarteng: Is this the tyre company? Maybe it is not in your constituency, but there is a company looking at using old tyres as a form of insulation.

Ian Levy: Yes, I had heard about that. It is not in my constituency.

Kwasi Kwarteng: It is not in your constituency; I didn't think it was. But that is a debate we are having within the Department.



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Ian Levy: That's lovely. Thank you very much. Unless anyone has any more to add, I will hand back to the Chair.

Q330 **Chair:** Thank you, Ian. In my constituency, Minister, farmers are ploughing fleeces into the ground because they cannot get any value for selling them. We have had evidence from a company that includes wool—

Kwasi Kwarteng: Philip, we are losing you.

Q331 **Chair:** I am sorry. It's a bit noisy with the phone going off in the background. I was just saying that in my constituency, farmers are ploughing wool fleeces into the ground. We have had evidence from a company that makes wool-based insulation, so I hope that will be included in the review that you mentioned you are doing.

Kwasi Kwarteng: That is an interesting point. A lot of traditional materials that were used in construction many centuries ago, in some instances, are being used again and are being looked at. Wool is certainly a material that is in that category.

Q332 **Chair:** Thank you very much. By way of conclusion, it is heartening to hear from all of our witnesses the general enthusiasm for trying to ensuring that energy efficiency makes a contribution to net zero.

I have not heard much recognition from the Ministers that the evidence that we will put into our report regarding the actual cost of achieving the retrofits we are talking about suggests that they are not anything near what you are being advised by your officials are appropriate costs. I fear there is a risk of not being able to meet the ambition, as a result.

Kemi Badenoch: Can I come in on that point briefly? Was that the evidence that came from Leeds?

Chair: Partly Leeds, but also the National Housing Consortium.

Kemi Badenoch: I would be keen to see more of the detail on how they arrived at their numbers. It sounded like we are talking purely on energy efficiency, and they are including the cost of the heating and energy efficiency. I was not clear on that, so it is something I would like to follow up on.

Chair: It was all capital costs. I would be very happy to send that to you directly.

Kwasi Kwarteng: Minister Badenoch is right to make reference to this, because you mentioned the heat pumps. She is right to point out that we were talking about the retrofit costs, whereas, as you will know, the cost of heating is separate. We can look at that information and we would be pleased to look at their calculations.

Chair: I think it is very clear from their calculations that the figures remain, but are greatly at odds with what you have been using. We will make some recommendations and I very much hope you will take them on board in devising the critical strategy for the next few years.

I conclude by thanking Minister of State Kwasi Kwarteng, Minister of



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State Chris Pincher and Exchequer Secretary Kemi Badenoch, together with your officials. Thank you, Ben Golding, for your contribution and thank you, Jon Fuller and Emma Fraser, for being with us, albeit not relied on by your Ministers because they are so well on top of their briefs.

Thank you to the Committee for joining us today and to the Clerks for putting together the brief.