



# Energy Security and Net Zero Committee

Oral evidence: [Retrofitting homes for net zero](#), HC  
453

Wednesday 4 December 2024

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Members present: Bill Esterson (Chair); Ms Polly Billington; Sir Christopher Chope; Torcuil Crichton; Josh MacAlister; Anneliese Midgley; Ms Julie Minns; Luke Murphy; Bradley Thomas; Claire Young.

Questions 1 - 114

## Witnesses

**I:** Joanne Wheeler, Co-Head of Policy & Places, UK Green Building Council; Maya Fitchett, Policy Analyst, National Energy Action; Robert Panou, Director of Asset Strategy and Investment, Stonewater.

**II:** Andy Prendergast, National Secretary, GMB; Madeleine Gabriel, Director of Sustainable Future, Nesta; Mike Foster, Chief Executive, Energy and Utilities Alliance.

**III:** Miatta Fahnbulleh MP, Minister for Energy Consumers, Department for Energy Security and Net Zero; Olivia Haslam, Deputy Director, Net Zero Buildings Strategy, Net Zero Buildings - Portfolio & Affordability Directorate, Department for Energy Security and Net Zero; Jessica Skilbeck, Director, Net Zero Buildings, Department for Energy Security and Net Zero.



## Examination of witnesses

Witnesses: Joanne Wheeler, Maya Fitchett and Robert Panou.

**Q1 Chair:** Good afternoon, and welcome to the Energy Security and Net Zero Committee inquiry into retrofitting homes for net zero. This follows on from our predecessor Committee's inquiry on heating our homes. Principally, we will be focusing on the retrofit of existing homes and cover topics including Government retrofit support schemes, helping households to make informed decisions, the roll-out of low-carbon heating technologies, and workforce challenges. The UK housing stock accounts for around 17% of national emissions and is among the least energy-efficient in Europe. There is much to discuss, and we have three panels this afternoon. Can I ask our first panel to introduce yourselves, starting on my left, please?

**Maya Fitchett:** I am Maya Fitchett, a policy analyst at National Energy Action. I lead on our work on a fair and affordable transition to net zero.

**Robert Panou:** Hello, my name is Robert Panou. I am director of asset strategy at Stonewater, a 40,000-unit national housing provider.

**Joanne Wheeler:** Hello, I am Jo Wheeler. I am co-head of policy and places at the UK Green Building Council. UKGBC is a charity and a membership organisation with around 700 members across the property and construction sector.

**Q2 Chair:** Thank you very much for the introductions; you are all most welcome. For the next hour, we will be asking you questions on this topic. I have the first question, which is to all of you. It is fair to say that the evidence suggests that progress in the last few years has been poor. In the eight months since our predecessor Committee heard oral evidence for its "Heating our homes" inquiry, we have seen the change of Government. Has what the new Government announced put us in a better place?

**Maya Fitchett:** I am happy to start on that one. For a start, in numerical figures, this Government has pledged more than the last Government did, so we are optimistic about that. We feel we are working in an environment where our concerns are largely shared and heard, which is positive. In terms of specifics, the initial plans for the warm homes plan seem very positive; we hope to see that spending committed to in the spending review next year. Turnaround on the minimum energy efficiency standards consultation seems positive. So, yes, overall, we are more optimistic. Our initial view is that this Government look to have a much more ambitious approach.

**Chair:** We will get into the details as we go through. Robert, anything to add?

**Robert Panou:** Yes, as a social housing provider, in terms of the new warm homes plan, we welcome the additional funding and we can see



how that ties into our 30-year business plan to increase the number of homes we retrofit. The biggest challenge we face in the housing sector at the moment is the practicalities with over-delivery. The social housing decarbonisation fund is a very difficult project and programme to deliver, and that has been repeated over the previous two rounds—I have been involved in both wave 1 and wave 2. The administrative challenges and the way the project has been set up have been very challenging, not just for the housing associations I have worked for, but for the sector as a whole.

**Chair:** We will want to explore in more detail what you mean and what you think this Government need to do to ensure you get what you are asking for. Jo, what is your sense of this?

**Joanne Wheeler:** We, too, are feeling more optimistic and more positive since the new Government have come to power. We absolutely welcome the doubling of the investment for retrofit to £13.2 billion but, unfortunately, this is still not enough. We have developed a retrofit investment calculator, where you can play Chancellor to see how many social homes you want to fund, how many fuel-poor homes there are and so on. We estimate that something like £60 billion in investment will be needed over 10 years. That would fund low-income households, social housing, a national information service, skills training and things like local authority capacity building.

But the point I want to make is that it is not just about the money. The calculator shows that, even with £60 billion over 10 years, we are still going to need a suite of complementary policies to support retrofit, and particularly to encourage homeowners, who represent the majority of households. I think that 64% of homes in England are owner-occupied, so we really need to see some policies coming in to encourage and support homeowners to retrofit their homes with their own money.

Q3 **Chair:** That moves me on to the next question, actually. Is the warm homes plan prioritising the right things? You seem to suggest that maybe there needs to be an adjustment there, Jo.

**Joanne Wheeler:** There was scant detail in what was released last week around the warm homes plan. We just saw the press release, so we are awaiting further details. We were pleased to see funding allocations, updates to existing schemes, and implementation of the clean heat market mechanism. The clean heat market mechanism is a step in the right direction, and something to build on, and it is helping to set a clear direction of travel for heat pump manufacturers. But, back to my point, we still need other policies alongside to really drive action like minimum energy efficiency standards, and the shifting of subsidy away from electricity to gas. Something we are very much in favour of is a stamp duty incentive linked to warm homes, which I can talk more about if the Committee would like.

**Chair:** Maya, do you think that the priorities are right?



**Maya Fitchett:** I would agree with a lot of what Jo said there. Likewise, we were pleased to see that downpayment of £3.2 billion towards local authority-led schemes. We put out a report at the beginning of this year quantifying the fuel poverty investment gap, which found that it stood at £18 billion, and that was to get us to the fuel poverty target. That £13.2 billion under the warm homes plan needs to be directed specifically at fuel-poor households to satisfy that target. As Jo mentioned, we also need those minimum energy efficiency standards in order to leverage in private investment from landlords. We have also recommended a self-referral scheme to capture households that are falling through local authority-led and supplier-led schemes at the moment.

**Robert Panou:** Similarly to my colleagues, we welcome the additional investment that has been announced, but I just want to echo two areas that are missing. One is the long-term policy position on the phasing out of fossil fuels and the electricity rebalancing, which my colleague Joanne has mentioned, and the other is incentivising a move towards electric heating.

Q4 **Chair:** The Government set a target to retrofit 5 million homes over five years. To what extent does the target keep the UK on track to achieve net zero and match the Government's ambition to achieve Clean Power 2030. Robert, do you want to go first for this question?

**Robert Panou:** Can you just repeat that question, please?

**Chair:** We have 5 million homes over five years as the retrofit target. Does it keep the UK on track to achieve net zero? Does it match the Government's ambition to achieve clean power by 2030?

**Robert Panou:** Partially. One of the biggest challenges, particularly within the housing sector, is that it is unclear what the long-term policy goals are in terms of achieving net zero by 2050. As a sector, we do not really know what that looks like. As organisations which own around 40% of the UK housing stock, and with us operating a 30-year business plan, it is important to understand what the long-term goals are for the Government so we can structure our business plans accordingly.

Q5 **Chair:** Are you looking for those to be set out in the detail that comes out with the warm homes plan?

**Robert Panou:** Yes. Like I said, we operate 30-year business plans, so in order to secure funding for those 30-year business plans, we need that long-term vision.

**Chair:** Maya?

**Maya Fitchett:** In short, no. We are coming up to five years away from the 2030 fuel poverty target. We know that there are 6 million households in fuel poverty in England alone this winter. It is imperative that we meet net zero, but it is also imperative that people are not cold in their homes.



## HOUSE OF COMMONS

**Joanne Wheeler:** Yes, I would agree. We would welcome the target and it would be a substantial increase in the amount of retrofit compared to recent years. It is a positive step, but it is not enough.

**Chair:** Yes, you want to see it go further.

**Joanne Wheeler:** We need to retrofit 29 million homes by 2050, so we have a massive task.

**Chair:** Luke, I think you have a supplementary question.

Q6 **Luke Murphy:** Yes. Thanks very much for your answers. This is a follow-up to Robert, but also just a general question. One of the criticisms of the previous Government was that there was a proliferation of schemes and it was confusing, and this Government have added more. There is also the criticism around short-termism and schemes chopping and changing. I am interested in what you think the balance is between, perhaps, a need for simplification and the uncertainty that that might cause by closing down certain schemes and rolling them into one. What is your view on the need for simplification in future schemes? Robert, you mentioned the phase-out date for fossil fuels. I am not sure whether you were referring to the 2026 date for hydrogen, but could you just say a bit more about that?

**Robert Panou:** In terms of the funding regimes, it is very difficult for us to plan long-term programmes when we only have a one-year grant programme, a two-year grant programme and now, with the wave 3 programme, three years. What I ask the Committee to look at, really, is the success of other grant-funded programmes within the housing sector, and particularly those that have been delivered by Homes England, in terms of increasing the proportion of affordable housing stock across the country. They are very well-administered schemes, they consistently deliver on the targets, and they are very welcome in the housing sector as a whole. Using the long-term housing grant available through Homes England allows us to plan our investment forward and go to the private sector to secure funding to invest in our existing and new homes. It is great having that fund available but, from our perspective in terms of delivering retrofit schemes across our stock, we are having to very much look at bite-sized projects. So this year we are going to do 100 homes. But what do the next 1,000 homes look like? We are not quite sure, because the funding is not yet clear.

**Luke Murphy:** Jo and Maya, do you want to come in on the wider question on the proliferation of schemes and the desire for simplification?

**Joanne Wheeler:** Yes, the message we hear a lot from our members is a desire for simplification, and the timeframe point is also crucial. We have had an extension recently of the time that schemes are available and the time that houses can be retrofitted by. Often, the schemes were so short that the money would come out and they could not find the houses to retrofit in the time available. That extension of timeline is very



## HOUSE OF COMMONS

welcome, but we do not think it is long enough. Actually, what we need to see are commitments to five-year funding programmes and an ongoing commitment to a 10-year rolling programme, so that the industry has certainty that this is going to happen and we can start to build industry confidence. At the moment, the start-stop nature really undermines confidence.

We also need to simplify the eligibility requirements around the schemes. Of course, we need to target those most in need—the fuel-poor and the vulnerable—but those criteria need to be as broad as possible. At the moment, providers and installers are spending a lot of time and money trying to identify the right households to put the measures in, rather than spending the money on actually installing. So a simplification of the criteria would be welcome.

**Q7 Chair:** Just coming back to this point about the short-term versus the long-term nature of schemes, have you heard things from the new Government recognising this challenge? The previous Committee took a lot of evidence about the stop-start nature of schemes.

**Joanne Wheeler:** They are definitely trying. I am sorry, I cannot remember which one, but one scheme went from being a one-year thing to a three-year programme. There is definitely a message getting through, but what we feel is needed is really that national retrofit strategy to set out, “Look, we need to put in this funding for this five-year commitment, but we actually have a national strategy for the next 10, 15, 20 years.”

**Q8 Claire Young:** Following on quite neatly from that supplementary question, you have already partly answered my first question, which was around the fact that the take-up of schemes was very poor. We have the Great British insulation scheme where, even if it achieved its target, it was only going to retrofit about 1% of the homes that need retrofitting and, as it is, it is massively behind. What factors have caused the under-delivery of support schemes in recent years, and how could they be reformed to provide better incentives for homeowners, landlords and social housing providers? Do you have anything to add to the points you have already raised?

**Joanne Wheeler:** It is definitely the timescale factor, with people literally running out of time to implement the schemes and find the right households to receive the funding.

From the public’s perspective, there is confusion about what schemes they are eligible for. There is not an understanding of the eligibility for the various different schemes among the general public. Often, they do not know that they are entitled to help, and that comes down to needing a national energy advice service—EST, the Energy Saving Trust, used to run that in England, and it still does in Wales and Scotland. That service can triage people and send them to the right local support, and the other aspect of this that is really important is local delivery and local trust. If



delivery is targeted at the local level, you can build that confidence and spread the word among communities that this scheme is legitimate, neighbours tell each other about it, and you get that kind of take-up. At the moment, we do not have that, so people are sort of searching for their customers.

**Q9 Claire Young:** Robert, does the warm homes social housing fund give you the support and confidence you need?

**Robert Panou:** From a financial perspective, it does over the short term. The biggest challenge goes back to what Joanne said in terms of time. In terms of putting a programme of delivery together, Stonewater is looking to deliver around 2,500 upgrades of properties under the next round of funding. It is a very short window from when the requirements of the programme are released to when we have to actually put the bid together. With the best will in the world, it is not a very strategic approach for us, and it provides limited time to work at a local level, particularly delivering partnerships with local authorities to, for example, develop local area or local energy action plans. Again, under the current round, we only have three years to deliver it. In an ideal world, we would be able to put projects and programmes through on a rolling basis and continue to bid into the fund over a much longer period.

**Q10 Claire Young:** Finally, on the factors that are causing problems, would you support the alignment of retrofit support schemes into a single fund to streamline the experience of consumers or providers, or do you see downsides to that? This is a question for all of you.

**Maya Fitchett:** It is really important that existing schemes, namely ECO, is continued.

**Q11 Claire Young:** Why do you think it is particularly important that that is continued?

**Maya Fitchett:** Alluding to what the other two panellists have already said, providing that certainty is going to be absolutely crucial. If we look at schemes that are delivering and schemes that are not, the main factor there is longevity of funding and certainty. Providing that certainty for ECO to continue past 2026 is going to be crucial for that industry confidence. It also sits outside Treasury funding. So, yes, for that reason.

**Q12 Chair:** So it is important to you that at least some existing schemes continue because they are already established and they are understood?

**Maya Fitchett:** Yes, that is correct—consumers understand them.

**Q13 Ms Billington:** Can I follow up on that? I am really surprised. I can see the point about ECO being outside the Treasury envelope, but I have seen no evidence for a long time that ECO has good performance outcomes, operates well with local authorities, and is successful for its overall purpose. I am not yet convinced that there is any purpose in ECO continuing in its current form, because it is so rubbish at delivery; it is





## HOUSE OF COMMONS

rubbish at targeting, and it is rubbish at delivery.

**Chair:** I was going to add to that. You mentioned this point about consumers having confidence. I am not sure many consumers know about it. Can you justify what you said?

**Maya Fitchett:** Sure, absolutely. I would argue that ECO is actually over-delivering by the targets it is set up to deliver. It is delivering to less households than was set out in the impact assessment, but the scheme incentivises bill savings and it is delivering on that. I agree there are some design issues. I would argue they are not deliverability issues; they are design issues that definitely need to be rectified. But, to me, that is all the more reason to consult on a new iteration of ECO as soon as possible and start to build those design changes into the scheme to deliver past 2026.

Q14 **Ms Billington:** Do you have any arguments against money being allocated to local authorities, which might be better at delivering this than energy companies?

**Maya Fitchett:** I suppose the underspend that has existed within local authority-led schemes. Up to this point, I think it is 53% under current schemes.

**Ms Billington:** That is not true of the green homes grant, which is considerably better in terms of the LAD than anything the private sector did. Underspend is generally questionable on local authority delivery.

Q15 **Chair:** Is that a question, though, of local authority capacity against energy company capacity?

**Maya Fitchett:** Yes, that is a good point. The longevity of funding is a key point there as well. ECO is delivered over four-year schemes. Sometimes, by the time that bids are written, local authorities are delivering over a year-long scheme.

**Ms Billington:** If you gave them longevity of the ECO funding, they would be much better at being able to do it, and they know who their people are.

**Chair:** Let us see what Joanne and Robert make of what we have just been saying.

**Joanne Wheeler:** To the point of whether it should be one grant scheme, I can definitely see the attractions of that. I would quite like to go back and test that with the people who deliver these schemes and with local authorities that we talk to on a regular basis to see what they think. I feel my view is not well formed enough, but there are different models for funding. The devolution of funds is a really interesting one, and we have seen Greater Manchester and West Midlands getting devolved retrofit funding. Where that capacity is in place to work out where the money needs to go and to spend it, that is brilliant.





The challenge is that some local authorities are severely underfunded in terms of retrofit capacity. I heard last week of a retrofit officer being got rid of, basically, because it is not a statutory duty, so the local authority was cutting excess. When local authority funds are given out in a competitive way, those that have the capacity to deliver them bid for them and get the money. It is a self-fulfilling circle, if you like, that those that do not have the capacity to bid do not end up getting any money and then do not get retrofit officers. You have some places that are doing really well and other places that really are not. So we need retrofit officers in every local authority, and we definitely do not have that at the moment.

**Chair:** Robert, do you have anything to add on this topic?

**Robert Panou:** I suppose if we were to remove the social housing decarbonisation fund that is accessed by local authorities and place choice with the consumers, then, for as a sector, that would place some significant challenges on our funding. Ultimately, we have significant private financing secured against our properties, and losing control over being able to retrofit those properties would be challenging for us, and the potential liabilities that came along with it. The solution really is about integrating the funds better. The social housing decarbonisation fund has an allocation for 10% of the properties from outside social housing properties, and the local authority fund has a similar 10% so that it can do social housing as well. Increasing those percentages and perhaps allowing local housing providers or local authorities to do larger proportions would provide some synergies.

Q16 **Luke Murphy:** We have had a bit of a discussion about people in fuel poverty, so this question is to Maya first, and then to the rest of the panel. The Government is committed to revising the fuel poverty strategy, what would you like to see in it? It is quite a broad question.

**Maya Fitchett:** We need to see that 2030 target of as many fuel-poor households as is reasonably practicable get to EPC C by 2030. We need to accelerate that path. As I have mentioned, we see an £18 billion investment gap. That £13.2 billion that has been pledged goes some way towards meeting that. We need to see that committed in the spending review in order to fulfil that commitment. We also need to see robust regulation in order to drive that private investment.

We also want to see that strategy sitting across Departments. Fuel poverty is a cross-cutting issue. At an absolute minimum, it should sit across the Housing, Health and Energy Departments. It should consider accessibility and end the postcode lotteries that Jo was talking about around advice, energy efficiency, delivery, and grant schemes. There also needs to be a piece around rectifying failed schemes. We have done a lot of work on our project in Fishwick, and I submitted evidence to the Committee last year.



We also want to see that collaboration across the UK. We see having a comprehensive fuel poverty strategy in place across the UK as a way of being able to assess some of those distributional impacts of fuel poverty and allow for support for devolved nations in a way that has not been done by previous Governments.

**Q17 Luke Murphy:** Is there a contradiction between an area-based approach and a fuel poverty approach? People in fuel poverty are spread in different areas, and an area-based approach takes it street by street, private rented, owner-occupied, not those who are fuel-poor. Is there any contradiction between that delivery approach and a fuel poverty strategy? Feel free to come in, Jo.

**Joanne Wheeler:** What we need, ideally, is a much more sophisticated offering, where we can offer a street-by-street approach—different kinds of blended finance models for everybody in the street. So one house might be fully funded by grants; the next might be a combination of grants and interest-free loans; the next householder might be able to pay for it all themselves. We need to get much more sophisticated about offering retrofit in different ways to different householders depending on their circumstances.

**Maya Fitchett:** Yes, I agree. You need a diversity of approaches. You need both in place.

**Q18 Luke Murphy:** Do we have the right metrics on how we measure fuel poverty?

**Maya Fitchett:** We use the 10% definition at the moment because it allows for comparability across the UK. We know that the low income low energy efficiency definition has some drawbacks, and it has moved with the volatility of prices over the past couple of years. But we actually see it as really important that the LILEE definition is kept in place, because it risks a delay to delivering on the fuel poverty target if we change it now.

**Joanne Wheeler:** I just wanted to make a point about the fuel poverty number. Obviously, it is not a static number, and there are households at risk of falling into fuel poverty if they lose their job or become ill, or if their life circumstances change. By not dealing with homes across the board, we are not protecting people. When people move house, for example, they might fall into fuel poverty. Their last home might have been fine, but the new one is really inefficient, and then they are in fuel poverty. We need to have a strategic warm homes plan that is thinking about all households.

**Maya Fitchett:** Can I just add one thing really quickly? Funding to local authorities needs to be allocated on the basis of need, so looking at fuel poverty levels and looking at indices of multiple deprivation.

**Q19 Luke Murphy:** Cold, inefficient homes, obviously, have a big impact on people's health. Should health conditions be part of the eligibility requirements for retrofit schemes?



**Joanne Wheeler:** Yes. Again, it needs a much more joined-up approach in terms of doctors and medical professionals being able to refer people for retrofits, working with the local council. This is why a local approach is really vital, because you need to understand who the vulnerable households are in the area, who needs help, who needs support, who is going to the doctor because they are living with black mould, and to be able to target the right people. At the moment, it is a bit random.

**Maya Fitchett:** I absolutely agree with what Jo said. Local authorities have that knowledge of characteristics within their local areas. So, yes, I would agree with that.

Q20 **Chair:** Jo, in answer to one of my questions, you mentioned owner-occupiers, and you touched on it there with the different tenures in the same street. We have had written evidence—it might be that the previous Committee did as well—about the scale of the problem for owner-occupiers, when the focus tends to be on social renters and on private renters. Do you have a particular answer on how support might be available to owner-occupiers?

**Joanne Wheeler:** There are very few policies targeted at owner-occupiers at the moment. The boiler upgrade scheme is one, but that is an expensive grant. The grant funding really needs to be targeted at those who most need it—vulnerable and fuel-poor households. Owner-occupiers that could afford retrofit if they were given access to the right kind of loans, finance mechanisms or perhaps things like property-linked finance ought to be supported to do so.

We also absolutely need a structural driver, as I mentioned in my introduction. A really good way to drive action would be through a warm homes stamp duty rebate, so that stamp duty is nudged up or down depending on the efficiency of the home, and people can take energy efficiency into consideration as they are purchasing a home and understand how much it will cost them to run. If they upgrade that home within a certain period after moving in, they can claim the rebate. So it is a real driver to action, and it is a real driver to ensuring that the market is valuing energy efficiency, because at the moment we do not.

There is no shortage of private householders' money going into homes. I think something like £15 billion a year is spent on new kitchens, with 1.3 million new kitchens a year. People do that partly because they want a really lovely kitchen, but partly because they know that when they come to sell the house, it will add value. At the moment, they are thinking, "If I put a heat pump in, is anybody going to care? Is it going to add value to my home?" We need to start factoring a value consideration into the owner-occupier sector.

**Chair:** It sounds like an education piece, or an awareness piece, is needed. It was the ONS I was thinking of before; I have just found the reference to it among the evidence we have had. Claire?



## HOUSE OF COMMONS

**Q21 Claire Young:** I will probably pick up on this in a later question but, when deciding how to allocate funding, do you think you should also be taking into account the types of housing stock? The amount it costs to upgrade some types of housing would differ. The same level of fuel poverty may be more expensive to address in some situations than others. Maya, I think you talked about local authorities understanding their housing stock, but is that something you feel should be taken into account when allocating funding?

**Joanne Wheeler:** Do you mean more money would need to go to those homes?

**Claire Young:** In areas which had particularly high levels of difficult to retrofit homes.

**Joanne Wheeler:** That would make sense, yes. We need to recognise that some homes are going to be harder to treat than others, and that a flat sum is not going to get everybody up to an EPC C. So, yes, there needs to be some flexibility there.

**Robert Panou:** Can I just add to that? The SHDF funds at both wave 1 and 2 recognised that, and there were some different funding structures for hard-to-treat homes. As somebody who has worked in the sector, I think it did not quite go far enough. The cost of retrofitting, particularly homes that were built in the '50s and '60s—system-built concrete properties—is significant and in some respects outweighs the value of those properties to us as a housing association. There needs to be recognition of that within each fund.

**Chair:** Thank you very much. Polly Billington.

**Q22 Ms Billington:** Thank you, Chair. Today, we have seen that the Government have announced a consultation on the energy performance certificate framework. Does the current EPC framework allow consumers to make informed decisions? Robert, what do you think?

**Robert Panou:** One of the main concerns for us as a sector in terms of the EPC framework is that it is set as a metric for us to achieve, in terms of ensuring that our properties are up to EPC C by 2030. Having read the consultation this morning, there is some nervousness about the impact on our decarbonisation programme. As an organisation, and as a sector, we are looking to achieve EPC by 2030, but there is potential within that, particularly if it links to the cost of energy, for all our properties to be downrated overnight from, say, a C to a D through more focus on the cost of the energy within the measurement framework.

**Q23 Ms Billington:** What kind of reforms would you like to see in the EPC framework?

**Robert Panou:** One of the things that is missing from the EPC framework is a drive to more carbon-friendly measures. In my lifetime, I have looked at more EPCs than I care to remember, and what you see in



a lot of those properties that are not achieving good energy standards, let alone carbon-free performance, even if they are on gas heating, say, is recommendations for the typical things—insulation upgrades and new windows. They do not demonstrate what saving can be delivered to the consumer, or what carbon savings to the environment, by making recommendations above and beyond the gas heating system that is already in there. It stops at the insulation; it does not go far enough in terms of driving consumer behaviour through the EPC.

**Ms Billington:** It disincentivises heat pump installation over boilers.

**Robert Panou:** Completely.

Q24 **Ms Billington:** Should there be a carbon metric introduced alongside the cost metric in the EPC?

**Robert Panou:** Yes.

**Maya Fitchett:** Affordability, and EPCs being a measure of affordability, is our key concern. It is crucial in identifying and measuring fuel poverty. It is crucial in being able to identify that overlap between low energy efficiency homes and low-income households. A carbon metric could be useful, but it needs to not outweigh an affordability metric.

Q25 **Ms Billington:** Would you accept that, at the moment, it is creating perverse incentives for installing old-fashioned fossil fuel infrastructure into people's homes and therefore tying them into ways of heating their homes which are potentially putting them on a pathway to ongoing fuel poverty?

**Maya Fitchett:** I completely accept there is a need for EPC reform, but there needs to remain a measure of affordability and energy efficiency.

Q26 **Chair:** Do you accept the need to transition to non-fossil fuel heating?

**Maya Fitchett:** Absolutely. That does not need to come into conflict with affordability measures.

Q27 **Ms Billington:** Some other countries have an online one-stop shop, and I have been knocking around this business long enough to know that everybody thinks that this is going to be the solution to everything. Forgive my cynicism, but should this be replicated in the UK?

**Robert Panou:** What is missing is access to a lot of the TrustMark information that is produced from these decarbonisation programmes. Over the past few years, Stonewater alone will have published 800 outputs from retrofit projects on individual properties. That information is shared with TrustMark and can serve as brilliant case studies to encourage people who are living in pretty much similar properties to the ones that Stonewater own, to understand the measures, the cost of them, and the improvements that have happened to those properties. But that is inaccessible at the moment. In terms of that one-stop shop, it



does not necessarily need to be anything physical or tangible, but there are valuable things that exist already—

**Ms Billington:** Data?

**Robert Panou:** Yes, that data, which we do not have access to. It would be great if somebody who lived next door to one of Stonewater's properties could log on and see what works were done within their local area and say, "Oh, brilliant, I can apply that to my home now and those are the benefits that I will reap."

**Joanne Wheeler:** I would agree that one-stop shops are not a silver bullet, but they would be a very good step forward in terms of, say, a triage service. I mentioned before that we need a national service that can see what kind of help the individual householder who is calling needs and point them to local services where they can get that help. They are also a good way for the climate-motivated or money-motivated householder— whatever the motivation of the householder is—to seek advice, get impartial advice and access to trusted tradespeople, and remove all the hassle associated with retrofit. Having done two retrofits— one in London, where I had the advice of a one-stop shop, and one in Devon, where I did not because one did not exist at the time—I am very much in favour of that hand-holding to support people through the process, because it is really difficult to do it on your own. Even as a person working in the sector, I struggled to find the right people and to know what was the right thing to do for my house. They are definitely part of the solution, but they are not the whole solution and we will, obviously, need other drivers and other policy measures.

Q28 **Ms Billington:** I have seen the market itself generate people's ability to say, "We can simplify this pathway for you." Is it something that needs intervention, or should the market be able to deliver that kind of advice?

**Maya Fitchett:** There is intervention required there. Our work in Fishwick, in particular, has shown us that some of the most vulnerable households will need much deeper support than just advice provision. Retrofit can cause stress and anxiety for lots of fuel-poor households already dealing with stress and anxiety. Existing barriers are just amplified. We have just been piloting two community retrofit hubs, with an aim to build trust within communities and encourage households to want to come on this journey to net zero with us, to help them understand the benefits of measures and to provide that sort of end-to-end support. That sort of trust-building exercise is going to be absolutely crucial for the success of net zero and decarbonisation.

**Joanne Wheeler:** We have 29 million households to retrofit by 2050, so there is no shortage of different services that are going to be required, and it is going to be horses for courses. Some people will just want to go to a privately run service and do it themselves, and that is absolutely fine. Others will absolutely need support and local authority intervention in supporting them. The other benefit of having a locally based one-stop





shop is the creation of local capacity, supply chain jobs—all that local economic development.

- Q29 **Torcuil Crichton:** Thank you for coming in with very thought-provoking evidence. Robert, you made energy performance certificates sound like the bane of your life, but the Government are consulting on new minimum energy efficiency standards for the private and socially rented sector by 2030. The challenge is huge if something like 50% of houses are over 60 years old and we need to retrofit 29 million homes over the next 20 years. Do these proposals for minimum energy efficiency standards for rented accommodation go far enough in terms of improving energy efficiency for renters? Maya, you can answer first.

**Maya Fitchett:** The current standards or proposed standards?

- Q30 **Torcuil Crichton:** The proposed 2030 ones. They are going to bring them up to band C, aren't they?

**Maya Fitchett:** This is going to be absolutely crucial to reduce levels of fuel poverty in the private rented sector. It is really important that we push these through. We know that a quarter of households in the private rented sector are in fuel poverty, and we have only seen a 4% reduction in fuel poverty in that sector since 2010, compared to 54% in the social housing sector. So, yes, they are absolutely important.

But there is a suite of complementary policies that need to come alongside increased MEES. That is things like a landlord register to provide accountability and allow local authorities to enforce MEES, and an increased cost cap—we know that the current cost cap does not go anywhere near the amount it will cost to upgrade lots of homes. There is also a wider suite of renters' protections, such as those detailed in the Renters' Rights Bill, which we would support coming in alongside MEES to ensure that the costs of MEES are not passed on to households.

- Q31 **Torcuil Crichton:** So a bit of enforcement would help, then. I guess I am a typical example: rented 19th-century, 20th-century property. The landlord has installed double glazing, but the house still leaks heat. My landlord is a good landlord, but is he incentivised to get rid of his gas boiler and put in double glazing? How are we going to do that? Robert?

**Robert Panou:** In terms of enforcing standards, it does need to go beyond just targeting the EPC. In terms of retrofit, throughout the years we have seen measures fitted poorly to properties. In some instances, older properties were designed to be quite draughty. Just wrap them with some external wall insulation and double glazing, and they cease to be draughty and become mouldy. In terms of enforcing a minimum standard linked, say, to an EPC, it does need to go hand in hand with enforcing standards in terms of the quality of homes. I know that the implementation of things like Awaab's Law is in the making and, as an individual, as somebody who works in the housing sector, and for the sector itself, it is something that we recognise. Where there is an





improvement in energy performance, it needs to go hand in hand with things like that.

**Q32 Torcuil Crichton:** We are going to have to retrofit something like two houses a minute for the next 25 years. Can we realistically achieve these targets?

**Robert Panou:** Speaking from my experience, at not just Stonewater but other housing associations across the country, big and small, we have a deliverable plan in place. We know which properties we need to work on. We know which properties will not achieve the required energy measures. For those that can, we know at an individual property level what needs to be done and the costs associated with it. So, as a social housing sector, we will get there. I do not think there is enough within the owner-occupier space to incentivise them to achieve as much as we will as a social housing sector.

**Q33 Torcuil Crichton:** You anticipated my next question and, Jo, you touched on this as well: how do you incentivise owner-occupiers? Should there be more of a focus on owner-occupancy?

**Joanne Wheeler:** Yes, definitely, as well as the other sectors—not forgetting the other sectors, of course. As I said, 64% of homes in England are owner-occupied. We all know that the UK is a bit property obsessed, in terms of all the TV property shows about doing up your home and so on. As I said before, I think 1.3 million new kitchens are installed every year, largely in the owner-occupied sector. So there is no shortage of renovation work going on and builders going into people's homes; it is just that people are not thinking about energy efficiency, comfort and warmth in the same way, and they are not thinking about it because they do not think it adds value to their home. That brings me back to the need for a structural driver like the warm homes stamp duty.

**Torcuil Crichton:** That is a fantastic idea. People talk about property prices all the time, but they never build heat efficiency into it.

**Joanne Wheeler:** Exactly. It is not like they do not want the disruption. It is really disruptive getting a new kitchen, but people still do it.

**Torcuil Crichton:** Maya, did you want to come in?

**Maya Fitchett:** Yes, just on incentivising owner-occupiers, it is really difficult to regulate the owner-occupier sector in the same way you can with the private and social rented sectors. Given that some owner-occupiers will be in fuel poverty and will lack the agency or means to increase the energy efficiency of their homes, one of the things we have recommended is a self-referral scheme. This would be a national, fully funded retrofit programme targeted at fuel-poor owner-occupiers, and it would offer those incentives, with fully funded grants, in order to improve the sector.

**Q34 Torcuil Crichton:** Finally and briefly, warming our homes contributes



almost half the carbon we release into the atmosphere. What should we do to contribute to carbon reduction in our homes?

**Joanne Wheeler:** As individuals, if you can afford it, the first thing to do would be to get a qualified retrofit assessor to come round, assess your house and give you an impartial guide to what you ought to do to your home, in which order you ought to do it, how much it might cost and what the carbon savings and energy savings would be. Then—this is the beauty of a one-stop shop because they can provide this service—you decide which retrofit measures you want to install, depending on your budget and so on, and then, ideally, you put something like a heat pump in with solar, possibly a battery, so that your home is smart as well, and suited to that more flexible, smart energy use in the coming years.

Q35 **Torcuil Crichton:** And incentivise behaviour through measures such as those you suggested there, such as attaching it to property value?

**Joanne Wheeler:** Yes, and we also need a suite of financial mechanisms to help people to afford this. These things are expensive, but they are an investment in your property, especially if that is then factored into the value. I know that organisations like the Green Finance Institute are looking at property-linked finance, where the loan stays with the property rather than you as an individual. When you move out, the loan continues to be paid off by the person who moves in. There are innovative finance mechanisms out there, and they are used in other countries; we just do not have them here yet.

Q36 **Josh MacAlister:** The beauty of asking the last set of questions is that most of them have been covered already, so I will try to keep this brief. There seems to be a bit of a trade-off in terms of the speed of schemes that support roll-out and other aspects, like whether we want things to be locally designed, consistency, and trade-offs on some aspects of the policy design. We have touched a bit on this in answers to other questions, but can I just push you all on which of those trade-offs should be prioritised above others? Should we just go for the fastest route to get as many homes as possible insulated? Should we be designing schemes so that local areas can take responsibility, and we have an inconsistent roll-out but take-up can be designed and tailored locally? Are there other factors that should be considered? Recognising that there are trade-offs in those things, please do not say, “All of the above,” unless you have some magical way of doing it. Jo, do you want to go first?

**Joanne Wheeler:** I was going to say we need to throw the kitchen sink at this, and I do not think there is only one way of delivering. We are working with our partner, the MCS Foundation, to look at a local area retrofit accelerator. We are working with four different areas, bringing together stakeholders on the ground, including the local authority, supply chain people, social housing providers and so on, to develop local retrofit strategies with them. One of the really important things is that places are very different; there are some things that can be standardised, and some standardised, archetype house types and things, but there are local



challenges and local opportunities in terms of supply chain challenges and supply chain growth opportunities and so on, which need a more localised approach.

**Q37 Josh MacAlister:** Can I just push you? We have the Minister and officials in later. They will face direct choices about whether this is a national, centralised scheme, or whether it is driven through looser local authority or combined authority-led deployment or some other mechanism. There are choices in that. Which one would you advise that we take?

**Joanne Wheeler:** My preference would be for there to be a national retrofit strategy, but with local delivery and support for local authorities to deliver.

**Q38 Josh MacAlister:** So, a national framework, but most of the money going through local—

**Joanne Wheeler:** Yes. It makes sense to decide some things at a national level—for example, standards—whereas others should be locally decided.

**Q39 Josh MacAlister:** Thank you. Robert and Maya, are you in agreement, or do you have a different view?

**Robert Panou:** No, I would agree with that. Retrofit generally is a complicated endeavour. There are thousands of different property archetypes across the country, and those properties have been extended and altered and changed over the years as well. Nobody is going to know those properties better than the local community and the local authorities, and nobody is going to have a better ability to come up with practical, deliverable, measurable action plans to address the challenges in each individual property across local areas.

**Q40 Josh MacAlister:** What is your confidence level in local authorities' ability to deliver?

**Robert Panou:** There are some brilliant examples out there in terms of local energy action plans. I was looking at one this morning in Yorkshire; I think the name of the place was Stokesley. The local authority there had identified what needed to be done to each individual property, and the costs associated with those upgrades. As a housing association with 40,000 properties, we know what each property needs in terms of an upgrade. So it is possible. I guess that, with the challenges that local authorities face and cuts in funding—again, it is not a statutory responsibility—it will be inconsistent across the country. But in terms of understanding what is needed in the stock, that really needs to come locally.

**Q41 Josh MacAlister:** On the point Jo made about a national framework and standards and local delivery, the risk of that, being really clear, is that that inconsistency will mean much slower roll-out in some places, which may contribute to not meeting the targets. That is maybe just a trade-off



we have to accept, but do you recognise that? Do you have a sense of the scale of the capability gap in local authorities—not all of them, but some?

**Robert Panou:** I can only really talk from a social housing perspective, having operated in that environment for the past 20 years. I used to work for a local housing association in the west country, and the capacity and the knowledge existed within that very small housing association to be able to deliver retrofit to a significant number of properties up to 2030 and beyond. So, that exists. I guess that the local authority there had just made a choice not to invest in building and developing that knowledge within their authority.

**Maya Fitchett:** I would just go back to what Jo said earlier about this trap in terms of local authorities lacking capacity and being unable to win bidding. It is crucial that we move away from a competitive funding model and towards criteria that are defined based on need. We cannot just give local authorities more responsibility; we also have to support them with the capacity building around those responsibilities. RISE—the Retrofit Information, Support and Expertise—body that has been set up should, hopefully, help some local authorities overcome some of those capacity issues. But, yes, we need to see support at all stages of the process.

Q42 **Josh MacAlister:** Is NEA's view to push as much of this as possible to local authorities to deliver?

**Maya Fitchett:** We want to see a diversification of routes.

Q43 **Josh MacAlister:** Do you recognise the trade-offs that were described in terms of speed and delivery, and how much is done centrally, nationally, versus locally?

**Maya Fitchett:** It is important that we get this right and that it is aimed at low-income households. It is about taking a worst first approach, and local authorities are uniquely placed to understand the characteristics of their constituents.

**Joanne Wheeler:** There will be a diversity of offerings, and some people will just want to go to a national supplier as a private householder and get their retrofit from them, and that is fine. There should be local offerings as well. It is not either/or.

In terms of the speed, I absolutely support the comments around retrofit capacity. Authorities need to be supported with the skills and resource to be able to deliver this. But we also have a problem with the supply chain, which you may be going to talk about in the next session. If all local authorities were to turn around tomorrow and go, "Right, we're doing our retrofit programme," the supply chain would not be able to cope with that at the moment. So some places going further faster is not a big problem, because they can test out what works, and then it can spread to other areas. In fact, they already are; some areas are really leading the way.



**Robert Panou:** On the point about supply chain, it ties into the funding mechanisms that are available for social housing providers as well. Because we go through several short periods of funding being made available within bidding, what happens is that you get peaks and troughs in demand. You have the whole housing sector all at once going out to the marketplace to procure retrofit experts and contractors and so forth and, as well as making it very difficult to deliver, it naturally drives up costs.

Q44 **Anneliese Midgley:** Segueing into the next session, it strikes me that we have not said anything during this session about the workforce who will be delivering this. One of the energy companies has said it does not have a workforce shortage but that the challenge was upskilling the existing workforce. While those retrofitting jobs largely remain low quality, and the heat pump jobs pay less than the gas boiler jobs with the training as an add-on, there seems to be little motivation for the workforce to upskill. What are your thoughts on what the Government can do to make sure that the retrofit jobs are quality jobs and to equip the workforce with the skills required to upgrade UK homes?

**Maya Fitchett:** I am happy to come in on this briefly. The point I made earlier about that long-term certainty of schemes to allow industry to invest in jobs and recruitment is absolutely crucial.

**Robert Panou:** Yes, I would echo that. Linked to previous comments, a lot of our retrofit projects are linked to funding availability, and the funding availability is short. Our contractor partners are sometimes hesitant to invest in developing the supply chain and upskilling the workforce, because they do not know what is going to happen in two years' time, in three years' time, and so forth.

Q45 **Chair:** What is the typical pay for one of the workers involved in your retrofit schemes?

**Robert Panou:** I would not know, but I would be happy to look into it. I will speak to one of the contractors and put that in writing to the Committee. I am not that close to the supply chain.

**Chair:** Thank you.

**Joanne Wheeler:** I would just echo what others have said. You are absolutely right: there is a real shortage, and lots of builders who are working at the moment do not need to work in retrofit, because they already have so much work. They are put off training because of the start-stop nature of funding schemes. Many companies have had their fingers badly burned in the past investing in trainers and assessors, and then the scheme has been pulled. So, absolutely critical is long-term policy certainty that this is a long-term plan and that the funding will not be pulled from underneath them, because then jobs get lost and everyone goes to another sector. We need that long-term certainty, and to know that this is a national priority.



**Chair:** Thank you all very much for an excellent session of evidence. I very much appreciate you taking part. We will adjourn very briefly to allow the next panel to take over.

## Examination of witnesses

Witnesses: Andy Prendergast, Madeleine Gabriel and Mike Foster.

Q46 **Chair:** Welcome to our second panel this afternoon. Please introduce yourselves briefly, starting with Madeleine.

**Madeleine Gabriel:** Hi, everyone. I am Madeleine Gabriel, the director of sustainable future at the innovation charity Nesta. Our focus is on cutting carbon emissions from homes as quickly as possible.

**Mike Foster:** I am Mike Foster, the chief executive of the not-for-profit trade association the Energy and Utilities Alliance, and also voluntary independent chair of the community interest company Affordable Warmth Solutions, which delivers the £160 million warm homes fund for the fuel-poor.

**Andy Prendergast:** I am Andy Prendergast, the national secretary for the private sector for the GMB trade union.

**Chair:** Thank you very much. At this point, I should declare my interest as a member of the GMB. Other members will declare their interests before they ask their questions. The first questioner is Luke Murphy.

Q47 **Luke Murphy:** Thanks very much, and welcome to the panel. I should also declare my membership of the GMB and numerous other trade unions. My first question is to Madeleine. What are the main barriers inhibiting the roll-out of clean heat technologies, and how can these be overcome?

**Madeleine Gabriel:** The main barrier is affordability. We hear that most often from households, including those who are wealthier and those in fuel poverty or low-income situations. Action needs to be taken both on running costs and on up-front costs. On running costs, the key thing the Government needs to do is look at rebalancing levies across electricity and gas bills, and that came up a couple of times in the previous panel. This is tricky to do, but we think there are ways to do it. We have published some research on it this morning. There are trade-offs that need to be made, but we think we can show ways through that would enable a rebalancing of the price ratio between electricity and gas, which would incentivise electrification, while protecting low-income and vulnerable households and not costing the Government too much more money. We have not published final conclusions on this yet, but I will be happy to send our research to the panel afterwards.

In terms of up-front costs, the important thing to remember is that when we are talking about shifting to clean heat, we are comparing the cost of the first installation of a heat pump or other low-carbon heating solution





with the replacement of a gas boiler. The lifetime costs of a new installation of a heat pump can come into line with a replacement gas boiler if we are able to reduce running costs fairly significantly, which heat pumps give you the opportunity to do because they are so much more efficient. We will still need to subsidise up-front costs for low-income and vulnerable households, but for wealthier consumers, subsidies can be phased out over time. We recommend that the Government look at introducing low-cost loans to support able-to-pay households in managing costs over time. We also expect to see up-front costs coming down over time. We can see innovation in the sector, for example, around reducing the time it takes to do parts of the installation process, such as heat loss surveying. So there are a range of ways in which up-front costs can come down, and running costs can come down, both through cheaper electricity and improved efficiency.

**Q48 Luke Murphy:** I know you have done a lot of work on how clean heat technology should play a part. Could you say a bit more about the role of hydrogen or not, the role of heat pumps, and district heat networks? You have published some work on the gas grid, so I would be interested to learn a bit about your views on that. Obviously, if there is quite a substantial take-up of heat pumps, that poses questions about the future of the gas grid, as your research highlighted. Could you say a bit more about those things?

**Madeline Gabriel:** As I said at the start, we are a charity whose goal is to cut carbon emissions from homes. When we started this work, we looked at the various different pathways to decarbonisation. Our firm view is that electrification is the most feasible and viable, and overall will be the lowest-cost way to decarbonise homes. That is primarily because electric technologies can be so much more efficient than anything else, and we think heat pumps are likely to be the key technology because of their enhanced efficiency. They will not be the only technology—there are other electric technologies out there, and there may even be a niche case for hydrogen—but, effectively, electrification is the main route to decarbonising homes.

When it comes to hydrogen, it is hard to see how that can be practical, given the cost of hydrogen. We do not yet have very much hydrogen at all, let alone low-carbon hydrogen. In terms of the Government's first allocation round for electrolytic hydrogens and a strike price of something like £240 per megawatt-hour, that would have to come down very significantly for hydrogen to have any role in decarbonisation—it needs to have some role—let alone in terms of hydrogen for heat. Using hydrogen for home heating is an inefficient use of that fuel and of green electricity. It would take about five to six times more green electricity to produce electrolytic hydrogen for heating homes than to heat homes directly with heat pumps, so it is hard for us to see a big role for hydrogen in home heating.





There may be some niche cases around industrial clusters, for example, but our strong view at Nesta is that that uncertainty needs to be closed down. We do not know what further evidence the Government need to be able to make its decision on the role of hydrogen in the grid, but the lack of a decision is slowing decarbonisation attempts in a number of ways, simply because consumers, installers and others do not have the certainty they need to move forward.

In terms of gas grid decommissioning, an implication of moving to net zero by 2050 is that we will not be using methane gas to heat homes, and if we are not using hydrogen, we will need a much smaller gas grid. The issue we are facing is that we do not have a plan for gas grid decommissioning at the moment and it is not going to get any cheaper the longer we leave that. We need to start planning for the future of the gas grid and thinking about how costs will be managed. They could be quite significant; the National Infrastructure Commission estimated those costs to be anywhere between £25 billion and £75 billion, and, in my view, we will not be able to load them all on to bill payers.

You picked up the point about defection, as it were—people moving off the gas grid and no longer paying for its upkeep through their energy bills. That could become quite a big issue if people start taking up low-carbon heat in large numbers, so we need to think how that can be managed. It is not practical to put all those costs on to electricity bills; that would have a counterproductive effect. We do not have an answer on that at Nesta, but we would recommend that Government look at that as soon as possible.

I would also just point out that the nuclear decommissioning fund was set up something like 30 years ahead of actually decommissioning plants. It was possible to start collecting that funding in a way that we knew it would be needed in future. We do not have anything like that for the gas grid at the moment, and we do need it.

**Q49 Luke Murphy:** Thank you very much. I would open that same question out to Andy and Mike. The combined question is, what are the measures needed to accelerate clean heat in households across the country, and what are your views on the balance between the role of heat pumps and hydrogen and other forms?

**Mike Foster:** I agree with Madeleine that the deterrent at the moment for moving to a low-carbon technology is the up-front cost; that is clear in all the studies that have been undertaken on that. For the benefit of the Committee, for the boiler upgrade scheme, heat pump installs run at £13,200, compared to about £2,500 for a straight boiler replacement. So the gulf between the two is great, and clearly that is going to be the major deterrent. That was confirmed by officials at DESNZ when they gave evidence to the Public Accounts Committee earlier this year; that is their view as well. It is also true that, at the moment, running costs for a heat pump are typically more expensive than those for a gas boiler, which is not an incentive if you want to move down the route of



## HOUSE OF COMMONS

suggesting that heat pumps are the panacea or the way forward to decarbonise heat.

We disagree with Nesta, first, in that we are wary of the rebalancing argument. Our members will always point to the fact that we cannot sell heat pumps in the UK because of what they call the spark gap, meaning that the difference between the unit price of gas and electricity is too great, compared to the rest of Europe. But when we look at what is required on a purely economic, financial basis to make a heat pump competitive with a replacement of a gas boiler, in terms of the up-front cost and the running cost combined, the amount that you would have to rebalance by is astronomical. In terms of what you would have to do to make it work, you would basically have to take 10p off the current unit price of electricity. If you wanted to rebalance it by making gas more expensive, it puts the gas price up—if you have the availability of the boiler upgrade scheme to every household—to 9p a kilowatt, which is a 50% increase. If you cannot afford the boiler upgrade scheme for every household, it goes up to 15.5p on gas. So I would urge strong caution about rebalancing by moving electricity levies on to gas, because of the consequential social policy implications that might have on things like fuel poverty.

Using taxation is seen as the other route by which you can rebalance. The policy costs come off direct taxation rather than moving on to gas. Again, it is about the availability and how much money the Treasury is willing to pay towards the boiler upgrade scheme. Making the scheme available at £7,500 a time to the 23 million houses currently on the gas grid is £173 billion. In terms of the annual support that you would need to subsidise electricity—

**Q50 Luke Murphy:** If I may, we need to compare it against the other scenario of hydrogen, rather than just gas.

**Mike Foster:** Absolutely, I am just urging caution on the rebalancing argument, which is not necessarily going to shift the dial in the way that some advocates claim.

In terms of where we see the pathway going forward, we think it is a mixture of heat pumps, heat networks and hydrogen boilers. We do not have a firm view of what the exact proportion should be. It should very much be about the individual homes, what they are constructed of and where they are located. Industrial clusters, for example, would be a sensible use of hydrogen. Putting a heat pump into a solid wall property would not be a sensible use of a heat pump as a technology. So it is very much an individual property-led decision going forward.

We would also disagree with Madeleine in that we do not think that talk about hydrogen is somehow dissuading people from putting in a heat pump. Indeed, I point to the very research that Nesta conducted, which concluded that talk of hydrogen had no bearing whatsoever on people's decision to buy or not buy a heat pump.



Q51 **Chair:** Mike, the UK ranked 21st out of 21 neighbouring countries for per capita installations of heat pumps in 2022. We have seen falling installations of heat pumps in this country. Why are other countries able to do this much better?

**Mike Foster:** First, we are comparing different energy infrastructures across Europe. There are not many countries that have the extended gas grid that we have; we have typically used gas boilers as a way to heat our homes. What I would say, Mr Esterson, is that what is happening in Europe is not a good story. In 2023, heat pump sales in Europe fell. In 2024, for the first three quarters, compared to 2023, Belgium is down 47%, France is down 44%, Germany is down 52%, the Netherlands is down 43% and Poland is down 55%. The heat pump technology is expensive, whether you live in Europe or in the United Kingdom, and that needs to be addressed across the board, if we are to use that technology to decarbonise.

Q52 **Chair:** In France in 2022, there were 462,000 sales of heat pumps. There were 59,000 in this country, and it has dropped in this country since then, so they were doing so much better. Anyway, I am going to move on to Madeleine and ask the same question.

**Madeleine Gabriel:** Could I come back on a couple of points Mike made? No one is suggesting that you are trying to levelise the lifetime costs of heat pumps and boilers purely through rebalancing energy bills; that is a complete straw man argument. The proposal we are putting forward is that there is some rebalancing from electricity to gas, while supporting low-income and fuel-poor households who may lose out as a result of that. That produces a fairer allocation of levies, which at the moment are disproportionately on electricity bills and that severely disadvantages some consumers who are in fuel poverty—namely those on direct electric heating. There are a number of ways in which you can bring lifetime costs to parity, but they will not all be achieved through balancing energy bills.

The other point that Mike raised was around right technology, right place, but the example you used of putting a heat pump in a solid wall property is very easy to disprove; we have loads of heat pumps already in solid wall properties. In fact, the highest performing heat pump, where people have shared data openly about their heat pump performance, is in a solid wall property built somewhere between 1900 and 1920. So we can do it.

In terms of numbers, my understanding of European heat pump uptake is that it is on an upward trajectory, but that there was a peak year in about 2022, related to the gas price crisis and people's response to that, with buying a heat pump seen as a way of countering Putin, shall we say. Overall, the trajectory is upwards. What happens in Europe, though, is that different technologies are used, and it would be worth us thinking more about the role of other heat pump technologies than we do. We see a lot of air-to-air heat pumps going in in Germany and France, but we do not use those very much here. So there is a lot that we can learn from Europe but, at the same time, we have different housing stock.



## HOUSE OF COMMONS

**Chair:** I am conscious I have interrupted Luke Murphy's questioning.

**Luke Murphy:** I have one more question, but I am keen to hear from Andy as well.

**Andy Prendergast:** I am sat here as a representative of around 30,000 Gas Safe engineers, out of the 100,000 engineers that currently work in this country. These people work in every constituency, town, village and city across the country. They are well-paid, highly skilled individuals who have been the backbone of meeting this country's heating needs for over a century. What concerns me for a start is that they have not largely featured in the debate, other than via some highly optimistic, if not borderline fantastical, ideas of what a just transition can look like. So I am sitting here speaking unashamedly from a worker's perspective on this.

What concerns me aside from that is that we are looking at a macro issue that we expect to be dealt with almost at the individual level, house per house. The one successful just transition we have had as a country is when we moved from town gas, which ironically was majority hydrogen, to North sea gas in the 1960s and 1970s. That process was delivered by a nationalised industry, on time and under budget, and it effectively involved 22 million appliances being changed in 13 million houses in a house-by-house, street-by-street process. That was managed under national agreements by trade unions, employers and Government.

What concerns me is that when we look at a lot of what we believe is happening, we are sitting here and arguing about individual choices on heat pumps. But, actually, there is a longer situation, where we need to ask what heating looks like in this country. In terms of the Climate Change Committee, I should declare that we are extremely sceptical of them. In a recent discussion with them, we found that all their targets are national. That means they are perversely incentivising offshoring, which we would argue does not help. But the second point is that, even when you look at their figures for 2050, we are talking about a potential of 52% of homes having heat pumps, 42% having district heating and 5% having hydrogen boilers.

If you take the district heating position, which we all believe is going to be a major factor in decarbonisation in the future, it is only going to be applicable to certain geographical areas. What we are doing at the moment is firing out large subsidies on heat pumps, but if you look at where those subsidies are being granted, they are being granted overwhelmingly to some of the richest parts of the country. There is a real danger here that we are currently incentivising the uptake of heat pumps in areas which will shortly go to district heating.

Rather than have each individual person making a decision on their own merits, we need to have a national plan for what we believe heating is going to look like, to give people certainty—both the consumer and, more importantly from my point of view, the workforce—so that they can talk



confidently about the skills that will be needed in different parts of the country to deliver the technologies.

There is potentially a big role for hydrogen, accepting that there are challenges at the moment in price, but there are also other technologies, such as hybrid boilers. They have the potential to cut emissions by 80%, while reducing customer bills. What concerns me about this debate is that we are letting the perfect get in the way of the good. We have a real opportunity to decarbonise quickly, but instead we are reliant on something that requires a massive grid expansion at exactly the same time as we are looking at a huge increase in the number of data centres, electric arc furnaces and transport. There simply is not the capacity to deliver this. We need to get back to that national plan, backed with an industrial strategy, that gives us that long-term certainty, instead of throwing out subsidies left, right and centre without any clear idea of where we are going.

**Chair:** Thank you very much. We are going to move on. Sorry, we have already had double the time for this. Polly Billington, please.

Q53 **Ms Billington:** Thank you, Chair. I was just going to go back to the incentivising of the electrification of heat, although I am very interested in what Andy said, and I would probably like to follow that up in a bit.

Madeleine, how do you think the Government should approach rebalancing the gas and electricity price? You said that part of the problem—we know this straightaway—is that if you just put the carbon cost on gas, when most people use gas, and particularly the fuel-poor use gas, that is going to be a problem. Once you have had a think about and explained what your approach would be, what impact would this have on the roll-out of electric heat technologies? I am very interested in Andy's point about the strategic planning of this so that you do not have the consumer choice thing, which is scattergun and unhelpful in the long term.

**Madeleine Gabriel:** I will pick up both those points. On levies, today we have published a really wide range of rebalancing scenarios, right through to taking all the levies off electricity and putting them into general taxation, through to putting them all on to gas, and everything in between. We have looked at the impact that that would have on 24 consumer archetype groups—the consumer groups that Ofgem uses in its analysis. We know what the average energy spend is for those 24 groups and a lot about their characteristics. So we can look at the distributional impacts, effectively, of different scenarios for rebalancing.

We have not come out with a strong recommendation yet, because this is an interim report, but essentially our view is that the best approach that maximises the different objectives you might have for rebalancing is to partially rebalance. By that, I mean move some levies from electricity to gas, while supporting low-income and vulnerable consumers who might lose out as a result and who might see their gas bills going up a bit. This



## HOUSE OF COMMONS

seems to be the most pragmatic way to do it, both reducing the electricity-gas price ratio—the spark gap that Mike mentioned—in a way that would meaningfully incentivise electrification, and protecting those who most need protection; we really do need to do that, because it is very important.

The impact on gas bills for other consumers is a sensitive issue, but wealthier consumer groups, who might see their gas bills going up £5 or £10 a year may not be the highest consideration. So we think there are ways to do it that are likely to be politically acceptable, do achieve decarbonisation goals and do protect consumers, although I accept that there are trade-offs in that.

I do want to point out that, at the moment, the distribution of levies is not rational or fair; it is the result of legacy decisions about how to fund decarbonisation schemes and schemes to upgrade homes, and it leaves quite a lot of people in a significantly bad situation if they are using direct electric heating. So the proposals address some of that unfairness, while achieving several goals simultaneously.

In terms of the national plan, I really agree with Andy. We need much more strategic planning about the future of heat. That can happen at several different levels. We need a national plan, but we also see the development of regional energies planning under the new NESO and the regional energy strategic plans. We would like to see more detailed planning at a local level. In Wales and Scotland, local authorities are doing a version of local area energy planning. In England, it is much patchier, and something more granular is needed to look at the heat transition in those areas and at where you will have heat networks and where individual home solutions are going to be more likely.

I would probably disagree with Andy's point that people are choosing heat pumps in areas that will have district heating in the future, given where we see heat pumps going in at the moment. But I do accept that it is a risk if we do not have a plan, and that is really important, because one of the questions we hear from consumers is whether they are making the wrong choice if they do something now.

**Q54 Ms Billington:** We do not know where the heat network is going to be; that is the problem. People are buying it, possibly, but they might find that they have bet the farm on the wrong kind of technology for their location.

**Madeleine Gabriel:** Yes. We are progressing on heat network zoning, which will really help. There is still some uncertainty, because even if you are in a heat network zone, you do not necessarily know whether your house is going to be able to connect and when. We are doing some research on how you talk to people about the future of heat in an area in a way that gives them some confidence about the right decision to make.





## HOUSE OF COMMONS

My understanding of the CCC's projections of the future of heat is that district heating would play a slightly smaller role than Andy said, but I do not have those figures to hand. I thought it was more like 20% of heating in the future, which I think is also the Government's working assumption.

Individual home solutions are likely to be more common than district heating, although we are also seeing innovation in things like shared ground loops that support individual ground source heat pumps in homes. We might see more collective solutions like that.

Where we would maybe agree is that we at Nesta are really interested in how you might support whole areas to shift to low-carbon heat at once, whether that is through shared infrastructure like heat networks or ground loops, or whether it is through individual solutions in homes. That could help speed up the transition and give people more confidence because they can see some neighbours are doing this as well. It could take some of the work off people—all the research you have to do as a homeowner or householder to work out what solution is right for you—and potentially reduce costs through economies of scale. We are looking at ways that that could be delivered locally.

**Q55 Ms Billington:** I am going to go back to the point about policy costs on consumer bills. I would like to ask everybody if they would support the removal of policy costs from consumer electricity bills and, if so, where the costs should be paid from? Madeleine, you said that you have the research and that one of the options is taxation. Mike and Andy, what are the other options that you would consider?

**Mike Foster:** Madeleine is right that it is a legacy issue. Frankly, some of the policy costs around things like ECO were put on electricity bills because they did not want it to come out of taxation; that was a political decision at the time, so it would be a political decision to move them from electricity bills to general taxation. That would be the fairest route, without doubt, in terms of having them paid.

We would just urge extreme caution about increasing the unit price of gas to rebalance levies. We do not think it will be sufficient as the incentive to switch from one technology to another, because the gulf in terms of running costs and the payback required from the initial investment is so great that you would need huge amounts to be transferred from electricity to gas. As I have said, the social impact on fuel poverty for those less able to pay and to afford to make the switch would be pretty awful for a lot of people in the country.

I would pick up on one point from what Madeleine said about the costs of appliances coming down and how that might have an impact on these things. At the moment, there are 3 million heat pumps sold in Europe, and about 70,000 sold in the UK. You could double UK sales overnight and you would not alter the cost of the actual appliance. There would be some reduction of cost in terms of installation, which needs to be worked on because it can have a bearing on how much we are talking about in





terms of rebalancing. But the differential at the moment is so great that I suggest we need to have all options on the table. Hybrids, as Andy said, are an absolutely viable option going forward, and would not necessarily involve rebalancing costs, because we would be looking at a heat pump and a boiler working together to deliver an 80% decarbonisation of a home. That is better than no decarbonisation, because people cannot afford to make that initial leap.

**Ms Billington:** Luke, do you want to come in on that?

Q56 **Luke Murphy:** I understand what you are saying, but it is not just the CCC or Nesta. The National Infrastructure Commission and a review of independent studies on the future of heat ruled out hydrogen as a significant contributor to low-carbon heat. I do not dispute what Andy was saying about the impact on jobs and the need for a national strategic plan, but a national strategic plan does imply the need to make some choices. I wonder why so many independent studies—the CCC, the National Infrastructure Commission and all these organisations, as well as that review of 50 independent studies, which excluded those by heat pump manufacturers and boiler manufacturers in order to come to an independent assessment—all rule out hydrogen having a significant role in the heating of homes? I would be interested in answers from everyone.

**Mike Foster:** Some of those studies were based on overseas countries and their infrastructures, which are not necessarily applicable and easily translatable to the UK, so those also need to be ruled out. If I picked on the Climate Change Committee's initial report, they put forward a pathway to reach net zero by 2050 that included a large number of homes being heated by hydrogen boilers—there is a route to do it, but it was just not their preferred scenario.

The National Infrastructure Commission suggested decommissioning the gas distribution network. To take Basingstoke as an example, it has 34,761 domestic properties and 624 commercial properties. It has 175 industrial connections, all of which currently come off the distribution gas network. In addition, the gas distribution network provides electricity back-up for when the wind does not blow and the sun does not shine. It would mean getting rid of that at the very time when we need more of it.

The gas distribution network is also the point at which biomethane is injected into the gas grid to displace the use of natural gas. There are 124 sites currently putting biomethane into the gas distribution network—the network that the National Infrastructure Commission wanted to get rid of.

Q57 **Luke Murphy:** I am not sure this answers the question of why the National Infrastructure Commission and all those other studies have come to that same conclusion. They have come to the same conclusion regarding the costs of hydrogen and the difficulties in producing the levels of green hydrogen required, as well as the level of electricity required to produce that green hydrogen. I would be interested, Madeline



## HOUSE OF COMMONS

and Andy, in your views.

**Madeleine Gabriel:** Those studies are fairly clear. I have already mentioned the high cost of hydrogen, which you also referenced. We simply do not have green hydrogen at the moment. In the first allocation round that I mentioned, the Government only procured 1.5 GW out of a total target of 10 GW of electrolytic hydrogen. We cannot make enough quickly enough to decarbonise our homes.

At the same time, when you look at things like the network costs of electrification, those on their own are cheaper than the network costs of having an upgraded electricity grid and a gas grid converted to hydrogen. According to the NIC, the whole-system costs are cheaper in an electrification-only scenario.

Switching to hydrogen is often talked about as a simple option, with co-ordination being simpler. There is some merit to that, in the sense that people are used to gas boilers, and we have, as Andy mentioned, done a transition of gas boilers before. But it is not without its difficulties. If you are going to switch over methane to hydrogen in the gas grid, you literally have to switch everyone at once; yes, we have done that once before, but the co-ordination is very difficult.

We just do not have the capacity to produce green hydrogen at the scale we would need to heat homes, and that, I think, is the conclusion of those studies.

**Chair:** We are going to have to move on so, Andy, can we hear your answer to that? Then we need to go back to Polly for the next set of questions.

**Andy Prendergast:** I do not pretend to be a scientific expert—my grade D GCSE goes some way to explain that—but it was only 15 years ago that everyone talked routinely about wind power being the most expensive thing there was; it was being completely uneconomical, and no one was going to support it. Huge investment brought the price down significantly. What we are seeing with hydrogen is that it has to have massive industrial use, because it is the only way we can power blast furnaces. When we know that that investment has to go into hydrogen, does that give us some scope to see if the costs come down?

The second point is that the one thing hydrogen does allow you to do is rebalance the grid. So, currently, significant amounts of energy are lost every night when they have to turn off the wind power from the grid because it has nowhere to go. The theory is that you use that power at night to fill the likes of the Rough gas storage site, which is the largest in Europe, and then you use the power during the day.

Too often, we are looking at the costs in one way. The cost on one level is, what is the cost of hydrogen through the grid? The second is, what is the cost of decommissioning a gas network while significantly increasing



the amount of electrification? If you look at electrification, several nuclear sites have had their life extended in the last couple of days, but by 2030, we will be losing a huge amount of nuclear capacity. At the same point, there is a huge expansion in the amount of energy needed. We have been talking to cable manufacturers, and the real concern is that their entire stock is sold out for the next decade. So even if we want to do this at the speed we seek to do, there is likely to be a lack of infrastructure to support a transition at that speed.

What concerns me is that we are potentially going to have massive kickback from many people who feel they are being thrown out of work and given less options. Let us be honest: we have seen this in America. If we had sat here last year, we would have been talking about how successful IRA was and how it was delivering change; then there is one election, and every single thing is out the window. If we do not take people and communities with us, but leave people thinking that this is being done to them, we risk achieving absolutely nothing. That is what I would caution.

**Chair:** Sorry, but we do need to move on because we have a lot of questions.

**Ms Billington:** It is okay; my questions are on the future of the gas network anyway.

**Chair:** You have another six minutes on this.

Q58 **Ms Billington:** Yes, marvellous—looking forward to it. I hear what you say, Andy, about expecting people to install heat pumps. There are a number of assumptions in there, but as most households are expected to either install heat pumps or go on to heat networks, is it time for us to think about how we go about decommissioning or repurposing the gas network? Who would bear the cost? Costs also mean that there are jobs in there, so I am interested to know what this would look like from your perspective in terms of decommissioning or repurposing the gas network.

**Mike Foster:** I am willing to start on this. This is such a big decision for the UK to take. We are talking about 284,000 km of pipe. You could really do a whole Select Committee hearing just on that one topic.

**Chair:** You suggested that didn't you, Mike?

**Mike Foster:** We know that Ministers and officials are thinking about this, as they should be. Therefore, going forward, an appropriate topic would be how you would go about decommissioning a gas network or repurposing a gas network. At that point, if I can, I will just pick up a couple of comments about the price of hydrogen, because that is absolutely relevant to how you repurpose the gas network. When studies have been done by the Energy Networks Association and Cornwall Insight, they have spoken about the price of green hydrogen being at about 6p a kilowatt to the consumer. We are currently paying 6.24p a



kilowatt for our natural gas. So in terms of the price to the consumer, by 2030, we can be comparable with where we are now. It is higher than historic levels of gas prices, but compared to where we are now, it is on par.

To the point Andy made about where we get the hydrogen from if we are going to repurpose the network, last year we paid £1 billion in curtailment fees to not use the wind power that we generated. It would be much better to use that excess wind to produce something that is useful—that is, green hydrogen. The more we develop our wind infrastructure to meet the Clean Power 2030 target, the more we are going to have surplus wind capacity when we do not need it.

**Q59 Ms Billington:** Bearing in mind the other decarbonisation challenges we have in industry, transport and so on, where green hydrogen would be a solution, why would we think that using this for heat is the best and most efficient thing to do? The Royal Society of Chemistry suggests hydrogen is five times more expensive than current natural gas prices, and CCC says that it will be seven times less efficient than renewables to power heat pumps, so why would we do that?

**Mike Foster:** First, green hydrogen is not the only form of hydrogen that would be available.

**Ms Billington:** No, but the others are not very carbon-light, are they?

**Mike Foster:** With carbon capture and storage, which is something that this Government has earmarked funding for, then yes, it is a way in which you can develop low-carbon hydrogen, and the same would be true for pink hydrogen from nuclear, if that was something that was being considered. So they are roles around hydrogen that need to be worked out.

As Andy said, the priority should primarily be on industry first, because we will not be able to decarbonise many sectors of industry without hydrogen. The problem we have is that not all the industry that we use and rely on for jobs and goods is located in industrial clusters that can be easily earmarked for conversion to hydrogen; they are in every constituency in the land.

**Q60 Ms Billington:** Can I just bring the focus back to heating people's homes and where the cost would go on decommissioning and repurposing the heat network? At the moment, the gas network is predominantly directed towards heating people's homes. What would we do about those costs?

**Mike Foster:** The same pipes that service the homes service the industry. That is the point about the gas distribution network: they service homes, they service industry. If you are going to put hydrogen through to service the industry in your constituencies, all those homes nearby—potentially—have a route to decarbonise. I am not saying that it is true for every home—we believe in a mixed blend of technologies—but to deprive people of accessing what could be a cheaper option for them



## HOUSE OF COMMONS

would be a mistake in our view. So it is about that broad technology-agnostic approach.

Q61 **Ms Billington:** You do not accept the CCC's assessment of the cost of hydrogen as a renewable?

**Mike Foster:** I accept that the current cost of hydrogen is not one that would be suitable for the market, but we are not talking about now; we are talking about where we are going to be in 2030 and 2050. All the expectations are that the costs of green hydrogen are going to come down. The Joe Biden moonshot project spoke about \$1 per kilo for hydrogen. Europe is looking for \$2 a kilo, which is very price-competitive with the current price of natural gas. If those are the targets that are being set for other parts of the world, why would we want to lock ourselves in or believe that we are suddenly going to be in a very expensive hydrogen economy? We are going to be competitive with other parts of the world. Why would the CCC say what it did? Perhaps, because they are modellers, that fits with their assessment of where the country is going to go in terms of domestic home heating.

Q62 **Ms Billington:** I will move on to the reformed clean heat market mechanism, because that is a market mechanism and, therefore, ostensibly technology-neutral. Does this go far enough to encourage the development of clean heat supply chains, which are one of the key things we have been talking about, without penalising those who remain on the gas network?

**Mike Foster:** The clean heat market mechanism was a bad policy when the previous Government had it, and it is a bad policy now. It is better than it was; as your letter yesterday pointed out, a £500 fine for missing a target is a lot better than a £5,000 fine, but that fine would have just been passed on to the consumer, so the consumers would have paid the penalty for householders not putting a heat pump in their home. The issue is not about the supply of heat pumps; you could go to Screwfix or Plumbase and pick up a heat pump tomorrow. That is not the problem; the problem is the demand for heat pumps. All that the clean heat market mechanism tried to do was increase the supply of heat pumps when, actually, that is not the problem. The issue that needs addressing is the demand for heat pumps.

**Chair:** Before you ask your final question in this session, we have 19 minutes until the vote, and we have three more questions to go.

**Ms Billington:** I will leave it, then.

**Chair:** Thank you very much. Claire, you are next, please.

Q63 **Claire Young:** We are going to go back to the questions around retrofit and the range of financial options available. First, a question for you all: is the Government doing enough to provide consumers with an attractive range of financial options? Following on from that, are the grant values under programmes such as the boiler upgrade scheme enough to ensure



## HOUSE OF COMMONS

that all households can afford to install heat pumps, not just those with the ability to pay?

**Madeleine Gabriel:** In terms of financial options, the boiler upgrade scheme is there, in my view, to stimulate the market and to get early adopters to adopt heat pumps more quickly. It would not be sustainable at that level if every household got a heat pump; that is clear. Our view at Nesta is that it can be reduced over time as things like the efficiency of heat pump installations go up, as the price of electricity hopefully comes down, and as we get economies of scale in the delivery of heat pumps themselves, which should bring down the up-front cost.

In terms of what else the Government could be doing to support consumers with cost, low-cost loans are something the Government should look at. Over time, the way that most people will pay for a heat transition is through finance. That is how most people buy cars, for example. It is a very common way of dealing with big up-front purchases. The cost of finance is really salient in terms of the cost of going over to low-carbon heat. We have estimated that every 1% on an interest rate pushes up the cost of converting all homes to low-carbon heating by £9 billion. So if you can bring down the cost of finance, you are saving individual consumers a lot of money and making the whole transition a lot cheaper.

It would be good to look at Government-backed loans. We have done some work with the Development Bank of Wales on the role of Government-backed loans and found quite a lot of support among the population for that idea. The Welsh development bank has recently introduced a retrofit loan, and it would be interesting to learn from that and its take-up to see how that could be applied in England. So finance is the main incentive that we need to look at.

There is also plenty of scope in working with, say, mortgage lenders to look at how they can support their customers to upgrade their homes. I am interested in the stamp duty rebate proposal that was mentioned in the previous session as well.

I will just mention one other thing. If we are talking about Government support for heat pump uptake, it is important to recognise that about as many heat pumps are being supported through schemes like ECO as are being supported through the boiler upgrade scheme at the moment, so Government funding is going to households at both ends of the income spectrum. In terms of BUS uptake, Andy is right to say that it is skewed towards richer constituencies, but we also see uptake in all constituencies, and some highest uptake is in constituencies at the lower end of the IMD scale, so it is not the case that it is only richer areas that are taking this up. We do not know the actual characteristics of the households that are taking up BUS.

**Chair:** I will just bring Bradley Thomas in for a question.





Q64 **Bradley Thomas:** Thank you, Chair. You have touched on this a little already, but moving away from loans, and thinking about fiscal levers, do you have a view on any other levers beyond stamp duty? For instance, in Italy, at one point in the not-so-distant past, they had a 110% tax rebate for consumers who installed heat pumps.

**Madeleine Gabriel:** That is interesting. My understanding of the Italian scheme is that it did not work very well in the end and was stopped early. In terms of fiscal uptake and fiscal levers, the others we have looked at are around energy bills and whether there is any case for, for example, reducing VAT on energy bills. We do not currently propose that; it is interesting to look at, but we do not have a recommendation on it. Potentially, the carbon price floor, which is pushing up the price of gas-generated electricity, may have reached the end of its useful life. So maybe there are other fiscal levers, but we do not have a strong view on those.

**Mike Foster:** Following on from what Madeleine said about low-cost loans, it is very similar to the scheme that was employed by the previous Government, the green deal, which was a failure, primarily because the interest rate—I think it was about 7%—was far too high compared to the market interest at the time, but that was the rate at which the finance was being made available by financiers. So if you are going to retrofit a building, it has to be at a very competitive rate of interest to be attractive to the householder. If that is the carrot, what will be the stick? When you start to introduce a stick, you become politically unpopular, and that is something that you around this table need to be more aware of than me.

The boiler upgrade scheme is designed to be accessible only to those who are relatively well off. The average figure under the upgrade scheme at the moment is £13,200 per installation. If your grant is £7,500, people have to fund £5,700 themselves. There are not many people who have that at their disposal and would be willing to use it to fund a change in the heating system.

In terms of where it is being spread geographically, there are some interesting features coming out. St Ives, for example, as a constituency, has had 353 installations under the boiler upgrade scheme, while Knowsley has had 18, and North Devon has had 243, against Sefton's 30. It is quite clear where these heat pumps under the boiler upgrade scheme are going, and I would probably vouch that more holiday homes in Cornwall are receiving the boiler upgrade scheme than there are people in Knowsley and Sefton.

**Chair:** Thank you very much for that. You mentioned Sefton, but I shall resist the temptation to ask the next question, and I shall ask Anneliese Midgley to ask one because you mentioned Knowsley.

Q65 **Anneliese Midgley:** Thank you, Chair. I would like to refer to my declaration of interests: I am also a member of the GMB. I would like to ask about workforce, skills and jobs; this is primarily for Andy. In





## HOUSE OF COMMONS

evidence taken by our predecessor Committee, stakeholders were sceptical of the preparedness of our workforce and warned of twin crises underlying the sector, citing a lack of new entrants and a rapidly ageing workforce. Other stakeholders said that grants to retrain were not enough to encourage workers to take time off the tools. I was interested in the point you made earlier about having a national plan rather than individual incentives and subsidies, with the workforce at the heart of that.

I am going to squeeze three questions in and see where we get to. Do you think the workforce are properly and fairly incentivised to take time off the tools and to work to retrain on low-carbon heating technologies? What do you think the Government need to do to make sure we have the prepared workforce needed to carry out the retrofitting of our homes? And do you think that the Government are putting enough in place to make sure we have a just transition for workers operating in this particular sector?

**Andy Prendergast:** They are three very good questions. First, one of the problems we have in this industry, as in many, has been the massive increase in casualisation since the 1970s. When the previous one was done, this was largely an employee model where, ultimately, by getting agreements with large employers, we would upskill the workforce. While there are still some large employers employing Gas Safe engineers, huge numbers—the overall majority—are either sole traders or work at very small establishments.

So in terms of the costs and what is being offered at the moment, you are looking at £500 grants to do a course that is often significantly more than that and that will take you off the tools for three or four days. So you are asking people to give up, often, several thousand pounds to do a course in a skill that they are not routinely asked to undertake.

One of the big issues for most of us who have done training is that training on a Monday is fantastic for what you are going to do on Tuesday. Training on a Monday for what you may be doing in two and a half years' time is absolutely useless. One of the real difficulties is that we are asking people to give up time and money to meet a need that often does not exist in their particular area.

The fact we are doing this via sole traders and small enterprises means that it is far harder for this to be managed in the way it was beforehand. For example, I look after British Gas; we will be talking to British Gas, and it is very common for us to talk about workforce upskilling. If you look at a building site now, it is very different from what it was 30 years ago, and that is the same for virtually every job in the country. There is an expectation among most people about upskilling.

When you look at the gas workforce, these people have to be reaccredited every few years to make sure they are skilled. These are people who are used to going back to college, but we are asking them to



## HOUSE OF COMMONS

spend a lot of money and lose a lot of time over something that there is no demand for.

On the second question, it comes back to the point beforehand, which is that there has to be a plan. The real concern here is that we are asking people to support a Government initiative which may not last, which at the moment is delivering little in the way of work, and which a lot of people simply do not have confidence in. And then you add the demographic challenges—for example, an engineer in his early 20s is obviously far more incentivised than someone in their late 50s or early 60s, who is probably going to sit there and just say, “I am going to sit it out.”

The final point around the just transition—this is a point we make everywhere—is that it is a lovely phrase that gets thrown around all the time. Our ability to manage change at this level is next to non-existent. Most just transitions have not been just transitions; they have simply been transitions. We saw it with the move away from coal; we have seen it with lots and lots of industries. My granddad was a compositor and used to employ hundreds of thousands of people; now that is rarer than hen’s teeth.

First, we need a plan. Secondly, we need to address some of the underlying issues. Some of the questions have been about whether we force gas engineers to do this. The reality is that gas engineer is a skilled job and a hard job to get into; you have to do an apprenticeship, either paid for by an employer, which means low wages for a period of time while you train, or doing it off your own back and at your own cost. A lot of people fail that because it is a difficult process to go through. It is a skilled job, a responsible job and ultimately an accredited job. What we are doing is talking about making it harder for people to qualify, and when they do qualify, heat pump engineers get paid on average about £10,000 less than gas engineers. So you will forgive me if it does not sound like the most enticing prospect: train harder to get less.

We must look at that and address the fragmentation of the industry. We have to come up with a national, viable plan with cross-party support that gives us some idea of what the future looks like. We have to recognise that these people exist in every constituency, and they put money in the economy. On every estate, it is normally the gas engineer who is one of the best-paid people. We have to protect these people and make sure they are the vanguard of any change, and not simply an afterthought, which is too often how it feels at the moment.

**Chair:** Thank you very much. Well, I am going to move on because we are coming to the vote in a few minutes. Bradley Thomas, you have a few questions.

**Q66 Bradley Thomas:** Have the Government and standards bodies struck an effective balance between protecting consumers and enabling the workforce to operate without unnecessary burdens and bureaucracy? Do



## HOUSE OF COMMONS

you think there should be more formal avenues for redress when home retrofit goes wrong? What measures do you think Government could take to ensure that rogue retrofitters cannot operate in the sector?

**Madeleine Gabriel:** There has been quite widespread agreement that there needs to be a shift in standards and how they are managed, from a focus on compliance to a focus on performance, and that the system needs to be simplified from a consumer perspective. There are reforms under way to the MCS scheme to do that. One argument is to let those play out and see if they improve the situation.

We have talked to Citizens Advice, who recommend the potential introduction of a statutory redress scheme, which would provide hand-holding and case support for those in really complex and vulnerable situations.

I think we would all agree that there needs to be some improvements in the way that standards are managed at the moment. There are some in train, and we can see how those pan out.

**Mike Foster:** One of the things about the MCS scheme, which is the Government-recognised accreditation scheme for the low-carbon technologies, is that it is not mandatory on all low-carbon technology installations. If you want the Government subsidy, you have to go through an MCS scheme; if you fund it yourself, you do not. Well, it is not an incentive to help installers train up and become installers of heat pumps if there is a limit to where they can operate. We would advocate making MCS installations mandatory across the piece as a way of driving up standards of installations because it is a good news story if you have a good low-carbon technology product installed in your home. Word-of-mouth gets around that these products can work effectively.

Another way forward is to bring forward mandatory annual servicing of all heating technologies. At the moment, in the rented sector, you have an annual gas safety check, but we should be looking to have an annual service for your heating appliance, which looks at not just safety but how effectively and efficiently the appliance is running for the consumer benefit. Also—this is key in terms of any transition to alternative technologies—it will help identify the sweet spot at which point an old appliance becomes viable to be changed, without waiting for that product to break down. The point it breaks down is the very worst time to move to an alternative technology, because of the delays involved in installing those products. So you want to identify a sweet spot just before it breaks down, so that you can manage the transition effectively. A mandatory annual service is a way of doing that.

**Chair:** Thank you very much. I would like to thank our second panel for your excellent evidence session; it was certainly very lively, and we could have done a second hour with you quite easily. If there are additional points you want to make—this applies to all our panels—please put them in writing to us. With that, we will adjourn for 15 minutes if it is one



Division, with 10 minutes extra for each further Division if there is more than one.

*Sitting suspended for a Division in the House.*

*On resuming—*

## Examination of witnesses

Witnesses: Miatta Fahnbulleh, Olivia Haslam and Jessica Skilbeck.

Q67 **Chair:** Welcome back to our session. The third panel will be on the warm homes plan, because we have Minister Miatta Fahnbulleh and two officials with us. Could you just introduce yourselves? Miatta, is there anything you want to say, as I have just introduced you?

**Miatta Fahnbulleh:** Thank you, Chair. I am Minister for Energy Consumers in DESNZ. I am very happy to be here this afternoon.

**Olivia Haslam:** I am Olivia Haslam. I am the deputy director for net zero buildings strategy in DESNZ.

**Jessica Skilbeck:** I am Jessica Skilbeck. I am one of the directors on the net zero buildings portfolio in DESNZ.

Q68 **Chair:** Great. Thank you all very much for being here. We have heard a lot in writing, and the previous Committee in its inquiry heard a lot, about the inadequacies of the various schemes, and how the complexities of them did not help. What have you learned from the criticisms of the schemes you have inherited that will help you deliver effectively?

**Miatta Fahnbulleh:** That is a very good question, and one of the advantages of coming in as a new Government is that we can look at things in the round. It is worth maybe just saying a word about why this scheme is so important to us as a Department and why it is so important to our mission.

You will know as much as I do that families across the country are still feeling the bite of the cost of living crisis. Energy is at the heart of that, and the truth is that, for too many families, energy is simply unaffordable. Our analysis is that that is a function of the fact that we have an over-reliance on global fossil fuel markets, and that is why our clean power mission is so critical. But, quite frankly, it is also because there was an abject failure over the last 15 years to upgrade enough homes and insulate people from price spikes.

The warm homes plan, for us, is absolutely imperative. The three things that we have taken away are, first, that there is a scale question. We have an ambitious programme where we are trying to upgrade up to 5 million homes; that is a big lift on where we are at the moment. Secondly, schemes have been working well, but there is a scale and ability for us to persuade enough consumers to take up these



programmes, to deliver the impact that we want to see across the country. Thirdly, we have had examples where schemes have not delivered up to the standards that we would have liked. There is a big bit of work that we are doing to understand why that is the case and to think about how we reform existing and future schemes to make sure we deliver quality interventions that consumers actually want, and that do the job of creating homes that are warmer and cheaper to run.

**Q69 Chair:** That is a fantastic introduction. You mentioned 5 million homes over five years, and your first target is 300,000 in a year. I noticed that under the Great British insulation scheme only 4,000 measures were delivered against a target, coincidentally, of 300,000. How confident are you that you are going to be able to hit these targets, rising to 300,000 in one year and 5 million over that five years?

**Miatta Fahnbulleh:** Candidly, it is a big jump from where we are. We recognise that we have set ourselves a pretty ambitious target. Our judgment is that we need to look at reforms to some schemes, such as GBIS, because it has not performed up to the level that we want. Our ECO scheme has been much more successful, but none are at the scale and quantum that we want.

There are three key things for us, as we think about how we deliver the uplift we want to see. The first is on the demand side. There is a big job in winning hearts and minds of consumers, because in the end we cannot force people to take on upgrades; we have to persuade them that it is good for their pockets, their homes and their quality of life. The second part is making sure that we have the supply chain and the workforce to deliver that upscale. And then there is a big delivery question. One of the things we are looking at is what the scope is for suppliers partnering with regional and local government, for example, to deliver area-based, scaled interventions. You then combine that with things like the minimum energy efficiency standard that we announced in September and that we are going to consult on. We think that that will deliver large interventions that would lift 1 million people out of fuel poverty.

Yes, there is a step change, but we recognise that, and we are putting in place a plan that we think can deliver that. It is not going to be easy, and there is a lot of work that we need to do across all those three measures, but we are quite clear-sighted about what needs to be done.

**Q70 Chair:** I have been looking at the details that you have published so far, and there is quite a lot about social rented accommodation. We have heard in sessions already about the balance between social rented, private rented and owner-occupied. Can you just set out what balance you would expect from that first £300,000 between those three types of property?

**Miatta Fahnbulleh:** Yes. Our warm homes local grant and our warm homes social housing scheme, which are interventions that are deliberately geared towards low-income households, will do a lot of the



## HOUSE OF COMMONS

heavy lifting in social housing and council housing properties. There has been lots of progress in the social housing sector, and we want to focus on that because there is a fuel poverty issue that we need to deal with.

The private rented sector is where we know we have a big problem in terms of home upgrades. Regulation will do some of that, but we are hoping some of the incentives we are putting in place, such as the boiler upgrade scheme and parts of what is available through ECO, will get to that cohort. Then, critically, we have to persuade owner-occupiers to also take this on.

At the moment, we are geared towards low-income households, not all in the social rented sector, so it is more the income profile of the people we are trying to target. I must emphasise that, in the end, we have to get this to everyone. There is a tier of people in the middle we have to persuade to upgrade.

**Q71 Chair:** The ONS made the point to us that, actually, owner-occupied housing is the most energy-inefficient overall. Do you have a particular answer to how you will address that challenge?

**Miatta Fahnbulleh:** Yes, we are doing three things. We are running a big campaign, which we are ramping up next year, to get the message out that there are schemes and support in place, like the boiler upgrade scheme, to get people to take on the upgrades. We have suppliers that are campaigning, so they are getting in touch with households at the moment to persuade them to do this. Then we are trying to think about what trusted intermediaries look like; that is a role of local, regional government and of our advice service. But there is a big job to reach people to persuade them to go on this journey. At the moment, we are thinking about the set of levers that we have, how effective they are and how we build on those going forward.

**Q72 Chair:** You mentioned hearts and minds before; that is obviously something you recognise. How do you persuade people to take part?

**Miatta Fahnbulleh:** We listen, to start off with. We are doing a lot of outreach, we are doing a lot of surveys, we are doing a lot of talking to communities. Certainly, what I have learned is that, in the end, a lot of people are persuaded by the carbon impacts and the green credentials of doing this, but mostly they are persuaded by whether this is good for their pockets. The challenge for us as we design the warm homes programme is that there has to be a benefit in terms of bill reductions. Now, all the evidence suggests that when we have done upgrades, that has reduced energy bills by about £200 on average, but that is a good measure.

Whatever the interventions, the calculations for consumers are, "Is this cost-effective for me at the outset?"—and we need to make that as easy as possible for people—but, critically, it is, "Long run, will this save me





## HOUSE OF COMMONS

bills?” If the answer to those questions is no, people will not take it up. If the answer is yes, we believe that they will.

Our job is to make sure the answer is yes, through a set of interventions that we are thinking about that mean you can have installs and upgrades—whether that is insulation, solar panel or heat pumps—and that they are cost-effective for the consumer. If we cannot deliver that through the scheme, we will not deliver the sort of scale of uplift that we want to see.

**Q73 Chair:** The energy price cap rose by nearly £150 in October, and it is going to go up again. But as I understand it, the warm homes plan is not due to start until after the winter. Why have you delayed?

**Miatta Fahnbulleh:** There has been no delay. We have said that a comprehensive strategy is coming out, which we will publish in the spring. In part, that is because, as I said, getting from up to 300,000 to millions, which is what we are aiming for, requires a comprehensive strategy. We have to look at each component: what is working well, and what do we need to change?

But we were really clear that we wanted to hit the ground running. For example, on our warm homes local grant, schemes are happening at the moment, and upgrades are happening. The same is true with the social housing decarbonisation fund and ECO. So we are delivering upgrades; we have not stopped.

The work we are doing now is about how we go from a baseline of up to 300,000 to the scale of intervention that we want to see. We are four months into a Government, and it takes time to look at every aspect of that. We wanted to make sure that when we pushed out the full strategy, we had done the work to deliver that outcome.

**Q74 Chair:** Okay, so you are not delaying, but you are waiting until a comprehensive strategy is ready. That sounds like a delay.

**Miatta Fahnbulleh:** Over the next year, £3.2 billion will go into upgrades—up to 300,000 homes will be upgraded. We have the minimum energy efficiency standards, which we are driving through at the moment. So we are getting on with the job. For us, the question is how we make sure that we are maintaining a baseline. We cannot have a supply chain collapse; otherwise, there would be a hiatus, or we would not deliver. There is a step change that needs to be delivered, and that is what we will put in our strategy.

**Q75 Chair:** Can you say when the warm homes plan and the fuel poverty strategy will be published in full?

**Miatta Fahnbulleh:** The warm homes plan will be published in the spring.

**Q76 Chair:** Define spring.



## HOUSE OF COMMONS

**Miatta Fahnbulleh:** Indeed, it is a long time.

**Chair:** We should say to you that we remember Governments of the recent past saying spring, and August or September may have been when things were delivered.

**Miatta Fahnbulleh:** Yes. In the end, if we want to deliver the shift that we need to deliver in years three, four and five of this Parliament, we have to have a strategy out by spring. There is an interdependency with the spending round, because we have an initial settlement, and we are still negotiating our wider settlement. I am very clear that unless we are telling the sector, "This is what we're doing" and getting everyone on board, we will not deliver the uplift that we need to in this Parliament. My single job is to help deliver that uplift in this Parliament.

Q77 **Chair:** We will watch with great interest. The UK Green Building Council estimates that 29 million homes need to be retrofitted by 2050. Are you on course? Are the Government on course? Is the UK on course to reach net zero in 2050?

**Miatta Fahnbulleh:** We will make sure we do everything we can to be on track. The record of the last Government, and what we inherited, is not as we would have wanted it. In terms of some of the progress that had been made, there has been stalling in different areas. Our job now is to turn that around. Everything that we are doing, from retrofitting through to our clean power mission, is all in order to accelerate and make up for lost time. On some metrics, we are on target; on others, we are not quite where we want to be. Our job is to make sure that we catch up.

Q78 **Chair:** This is the final question from me before I pass on to the next interro—the next person. Many charities estimate that fuel poverty levels in England are far higher than Government figures suggest. Do you believe that the low income low energy efficiency metric remains appropriate?

**Miatta Fahnbulleh:** As a measure of the intersection between income and the quality of your home and your ability to heat that home, it is a good measure. We have a statutory target, and we have a duty to make sure that we are doing everything we can to hit that target. As a measure of how people feel about energy and affordability, it is not a good measure. Our numbers are that just over 3 million people are in fuel poverty. If you go out into the country and ask people, a lot more people than that will say they are in fuel poverty, because they are spending a huge chunk of their income on energy that they cannot afford. They would define themselves as in fuel poverty, even though, technically, they are not.

Our job, as we think about the fuel poverty strategy, is to make sure that we are thinking about the technical statutory definition of fuel poverty, because that is what we have a legal obligation to respond to, but we also need to speak to the wider question of affordability. What that looks



## HOUSE OF COMMONS

like will be the thing that comes out of the review and the strategy, and the metrics we use will be a function of that.

In the end, the way I see this is that you can have all the metrics and targets and numbers you want, but if people do not feel it on the ground, you are not delivering. Our job is to make sure that people feel it on the ground.

**Q79 Chair:** The figures used by the charities, which suggest as many as 9 million homes are in fuel poverty, might be a better indicator than the 3 million in the Government figures?

**Miatta Fahnbulleh:** A lot of the charities use the 10% of your income spent on energy as a metric. We need to review that, because in some respects that 10% number is quite arbitrary. What I would not dispute is that for a lot of people, and a larger number than 3 million, energy does not feel affordable and feels crushingly punitive at the moment. Whatever we do over the course of this Parliament, we have to have an answer both to the legal statutory obligation and to people who think that an essential good is inaccessible and unaffordable for them. That status quo is completely unacceptable and untenable for us.

**Q80 Luke Murphy:** Welcome, Minister, Olivia and Jessica. My question builds on the Chair's question. You are talking about the national plan that is to be brought forward next year. Some of the main criticisms of the schemes of the previous Government, which you have already highlighted, were that they were too complicated, too numerous and, too short-term. I wonder whether you agree with that assessment, and whether you are looking at significant simplification of the plan next year? How do you tackle the tension in terms of certainty if you are changing schemes that may have been in place for some time?

**Miatta Fahnbulleh:** Brilliant question. Yes, I agree with the analysis. I come at it partly thinking about it as a consumer trying to navigate the landscape, but also as an installer trying to navigate the landscape. It is too complicated. We have lots of schemes, which are all well-intentioned, trying to solve particular parts of the area, but if you are trying to navigate through that landscape, it is very, very hard. The same is true of both delivery and our metrics for standards accreditation; it is quite a complicated landscape.

We have suffered from the fact that we do not have long-term certainty. If you are an installer or a supplier trying to think about how you ramp up, it has been very, very hard. Unfortunately, there have been lots of stop and start with Government, which has not built confidence. We have to try to change that.

What I hope we will deliver for people through the warm homes plan is a trajectory in the long term, so they know where we are going. We are trying to think about opportunities to align and integrate our schemes, so



that, in the end, whether you are a home or a community, it is very easy to navigate.

For the supply chain that we need to build up, we are making it as easy as possible, because it is a huge ramp-up effort. If it is too complicated and patchy, it is very hard for people to navigate.

**Q81 Luke Murphy:** Are you committed to any of the schemes in the long term, or are they all under review? I am thinking about ECO and the Great British insulation scheme. Are the Government guaranteeing their life beyond 2026?

**Miatta Fahnbulleh:** Hopefully, the signals we have sent around the £3.4 billion that has been committed by the Government over the course of the next three years are that we will absolutely have a scheme for social housing; we will absolutely have a scheme that is geared towards local authorities helping communities and households in need; we will absolutely have a scheme that works with our suppliers in order to reach people. The collective question that we are asking at the moment is, how do we make them work better? In the end, with the resources in the system, the job is how we get from up to 300,000, which is where we are, to the millions that we need to get to over a period of time.

We need to get those schemes to work better, harder and in a more integrated way. It is worth saying that there is a lot of innovation already happening. The last tranche of ECO, for example—ECO Flex—has allowed quite a lot of innovation. Local authorities are working with suppliers. I would give the example of E.ON, who are doing some really interesting work with Coventry to think about how you could combine area-based local insights with the insights that suppliers bring. The bit of work we are doing now is, what have we learned that has not been as we would like? What is working well, what is not working well and how do we design the different schemes to do this?

**Q82 Luke Murphy:** I have two follow-up questions. One of the witnesses earlier welcomed the longer-term commitment that the Government has provided around some of the schemes, but was clear that they needed to see even longer certainty—five to 10 years even. This was a social housing provider, Stonewater, and they talked about Homes England as being a model for that. First, is that something the Government are looking at, to provide that genuine certainty for the supply chain and consumers? Secondly, one of the other things raised was the difficulties around eligibility, and suppliers are just finding it incredibly hard to find the right people who are actually eligible. The eligibility is there for a good reason, but can it be simplified in order to make it easier? Is that something you are also looking at?

**Miatta Fahnbulleh:** I will come to Jess on the eligibility. On long-term certainty, absolutely. I see this as infrastructure, and my general bias is that infrastructure programmes ought to be long-term, partly because you need to gear up your investors and supply chain. You will understand



## HOUSE OF COMMONS

that, in government, there is always a tension between that long-term certainty and the ability of colleagues in the Treasury—rightly so—to have a grip on the finances and how we are spending them.

There is a conversation now about what certainty we can provide around direction, targets and where we are going, and that will do quite a lot of the work, because industry has not had that. Then, to what extent can we complement that with certainty on multi-year funding? We have the three-year settlement, which is good. I want to, and hope we can, build on that so that we can say, “Government are in this for the long term,” but we need to crowd in other investment in order to deliver the scale of upgrades that we need to see.

**Jessica Skilbeck:** Just to add two points to that, the point about eligibility is absolutely key to what the Minister was saying about how the schemes work together. We know that our low-income schemes—social housing, local grant and ECO—have slightly different criteria for who is eligible. That is exactly an example of the sort of thing that we want to make work better as a system.

The other point I would make is that, in thinking about this transition for the whole of the UK—through to net zero by 2050 and the 28 million households—we are very much trying to think in terms of customer segmentation. It is about the customer groups that each scheme is trying to reach, and the extent to which they are focused on fabric or on the heat transition. You need to think about those two things together to make sure that the schemes are as effective as possible.

**Q83 Ms Billington:** Can I have a bit of a follow-up? That point you made at the end about fabric versus heat is interesting. My experience as a councillor dealing with delivery on the ground, and particularly now as an MP with casework, is that the ECO scheme, in particular, is failing, even when companies are ostensibly working on behalf of local authorities. We see poor contracts; ways of discharging your duty simply by going around and saying, “Oh yes, it’ll be fine,” and then a letter coming saying, “No, sorry, it won’t be”; the wrong stuff is being installed; and people not knowing how to operate the systems in place.

I am afraid that this alphabet soup of schemes is not designed around people. Then we wonder why we chuck loads of money, which the Treasury should be interested in, and kit, which local authorities and companies should be interested in, and it is not solving the problem. I would put the challenge back to the Department that you should not only make sure that the existing schemes work well together, but reform those schemes, calculate how much money is there, and design things around the people who actually need this help.

**Miatta Fahnbulleh:** I would not disagree with that. If you take something like ECO, it has delivered the largest number of interventions of all our schemes. When it works well, it works well, but it is not working well consistently. We are looking at that in the round. I completely agree



## HOUSE OF COMMONS

that in the end, this is about persuading people to go on this journey. It therefore has to be as consumer-centred as possible, and it has to be really good quality. My biggest worry is that every bad example is amplified; it creates its own folklore. This is all about trust, and people have to trust that this is good for them.

There is a responsibility on us to make sure that when things are not working, we reform them, because we are about to go and ask millions and millions of people to work on trust and go on this journey. If there is a sense that, "Oh, my neighbour had this example," or, "This happened to my aunty," it absolutely dents the reputation of what we are trying to do. We are very alive to that. The thing that we are doing at the moment is exactly that: what is working, and where are there problems? If it is not working, let us drill down to understand why it is not working, and then use that to inform the way we try to reform the programme in the round, in order to deliver the level of uplift that we need to see.

**Q84 Chair:** ECO delivered 265,000 measures in 2023 out of a total of 318,600 energy efficiency measures, but only 83,500 households were upgraded across all schemes. That is a long way off. Relying on ECO does not sound like a way of succeeding.

**Miatta Fahnbulleh:** We will not be relying on ECO; it will be one of the measures. ECO is an obligation, not a funding stream, but I come back to the fact that we have to use all the levers in the system, in order to think about how we get them to work well together to deliver. My view is you have to combine what we are doing with suppliers with what we are doing on the ground, for example.

There is a big emphasis on what we have learned from our warm homes local grant and our social housing decarbonisation fund, which is the role of local and regional government in this. When you are trying to get to scale, you also talk about trust, and there is a really critical role for that trusted intermediary that can go and knock on a whole load of doors and persuade people to go on this journey.

We would recognise that, to get from where we are to where we need to be, there is a delivery piece that we need to bottom out. That is the work we are doing, and that is an area the Committee is looking at in the round. We are definitely in the market for insights and ideas.

**Q85 Ms Billington:** I am going to ask you about incentivising the electrification of heat. Obviously, you will know that there are some challenges around placing social and environmental levies on electricity bills, which is where they currently are. Do you agree that doing that encourages consumers to keep their fossil fuel heating systems and, if so, what are the plans for reforming that pricing structure?

**Miatta Fahnbulleh:** It is absolutely the case that at the moment there is a differential between the prices of gas and electricity, and that has a knock-on effect on the running cost of something like a heat pump. That





is a problem for us because we need the running cost to be as cheap as, if not cheaper than, the cost of a gas boiler. It is worth saying that, to be fair, the market is coming to help us a little. There are some very creative tariffs out there. That means that despite the fact that there is that differential, they are still cost-effective, they are still delivering savings for consumers.

No doubt, when you speak to experts, they will all say that rebalancing needs to happen. There is a tension for us to manage in how we do that, while making sure we are protecting consumers. Certainly, from my perspective, doing it in a way that disproportionately impacts low-income households on gas is not something we would want to countenance in the context of a cost of living crisis, and with energy bills where they are at the moment. We are thinking through what the options are to incentivise that shift to electricity that we need to see, but in a way that protects consumers.

**Q86 Ms Billington:** There is research that shows that even if installing a heat pump was free, less than a quarter of households would install them. Does the Government believe it can achieve its ambitions for a heat pump roll-out without an enforced phase-out?

**Miatta Fahnbulleh:** We are not in the market of forcing this on people, because in the end we have to try to win hearts and minds, as I said, and to try to take consumers on this journey. There are three things that give me hope. We know that heat pumps are three times more efficient than gas boilers. So there is an upside for consumers in terms of not just the carbon savings, but the amount of electricity you would use.

We need to make sure that we have the incentives right, and that is a combination of up-front cost as well as running cost, and we are trying to work through that at the moment. And, in the end, there will have to be a big campaign; I do not just mean a public awareness campaign, but actually on the ground, in order to drive the shift. We have made a strategic bet on heat pumps, but also heat networks.

**Q87 Ms Billington:** I was going to ask about heat networks, because heat networks are almost inevitably compulsory; you move into a place, it is connected up. I know that our European neighbours are much more used to that. Increasingly, in new builds, we are getting more used to it here, but there are what I might politely call some teething problems around some. Are you really confident as a Government that you can actually say that nothing will be compulsory?

**Miatta Fahnbulleh:** Heat networks are a big opportunity for us to deliver the scale that we want, particularly in urban areas where we have heat networks that are working in partnership with the local government; they are working and they are a huge opportunity. To sell them, there has to be a really clear community benefit. The schemes I have seen that work are ones where the community feels that they have a stake in the heat network, so it is not something that is imposed on them. There is a



benefit in terms of local jobs and impact on the local community, which we like anyway, because it builds positivity around a scheme, but critically there are also benefits in terms of the bills, quite frankly.

The question that we are asking the sector is, if we are doing this and you are in Greater Manchester, what is the proposition for the consumer and communities that means they buy into this? We cannot design something where we put all this investment in, and then in 20 years' time consumers feel that they are locked into something they have no agency or control over and no benefit from, because there will be a backlash. We now have an opportunity to actually design these in a way that delivers that community benefit, and that is central to the approach we are trying to take.

**Q88 Ms Billington:** Can I follow on with a question about the delayed introduction of the clean heat market mechanism? You have moved that to April 2025, and you have reduced the fines by more than 80%. How is that going to keep the UK on track to install 600,000 heat pumps per year by 2028?

**Miatta Fahnbulleh:** I have three things to say about the clean heat market mechanism. The whole purpose of the market mechanism is to gear the supply side to shift from gas boilers, and to drive the manufacturing of heat pumps. My view when I came in was that we have to try to do this with industry, because in the end we need all those boiler manufacturers to want to do this. If you speak to them, they will say, "Of course, if there is a market for heat pumps, we'll go there. It's in our commercial interest." A lot of them are operating in European countries where heat pumps are produced at a much higher rate than here. We wanted to keep the incentive, but a key part is the demand side. They will tell you, "We can produce heat pumps, but they're in our storehouses." Unless we can increase consumer demand for this, there is a collective problem.

The approach I took was, "Okay, let us work on the demand side together, and a big part of that is how we get costs down. We need you to innovate in order to bring down the cost of heat pumps. We also need you to work with your installers, because at the moment, installers are the interface between the manufacturing and the consumer." There is installer scepticism, quite frankly, about heat pumps. There is a bit of work to do to train and to make sure we are putting in the right incentives. My view is let us work together on that, as well as making sure we have a supply-side incentive. My criticism of the last Government, candidly, is that there was a lot of focus on the supply side, but without addressing the demand side, I did not believe that we would not deliver the change that we want.

Year one is our baseline of the scheme. We will learn from that, and it will evolve. The key for me is that this has to be a partnership with industry, because we want those boiler manufacturers to be successful and we want them to hit the target. At the moment, they are telling me that they



## HOUSE OF COMMONS

want to hit that target as well. Our collective job is to make sure that they do, and then, critically, to think about how we put demand-side and supply-side interventions that get us there.

We are not resiling from the target, which is the thing that drives it. In the end, there is a collective job to do together to make sure we are delivering that target. I am pretty confident that we will get to our 6% year one target. As long as we can do that, we can work with them in a collaborative way.

**Q89 Ms Billington:** This is a slightly sidebar point, but the future home standard would help quite a lot, wouldn't it?

**Miatta Fahnbulleh:** It will when it comes. The 6% target is for installs, so in some respects the future homes standard and new builds do not contribute to that, because there is a big existing stock installation problem that we need to deal with. But, absolutely, in terms of demand-side certainty, pipeline, confidence among suppliers—

**Ms Billington:** Installers, supply chain.

**Miatta Fahnbulleh:** Yes, 100%, and that message is coming very clearly to us. We are working very closely with our colleagues in MHCLG to make sure that we respond to the consultation and get it out. We are very, very clear that this has to be part of the mix, and that we cannot faff around for too long and we need to get it out.

**Q90 Ms Billington:** I have one more question, particularly on the infrastructure. Has the Government established what the necessary costs of network reinforcement would be to support a widespread roll-out of heat pumps? I know there is a lot of talk about whether the grid can stand everyone electrifying their heat. What is the Government's assessment of that?

**Jessica Skilbeck:** It is absolutely part of the work programme. We work really closely with the people who are modelling on the supply side. I do not have the figures right to hand.

**Q91 Ms Billington:** I know it is more of a NESO/Mission Control element, but it is one of those things where, in the conversations of—dare I say it—the barroom bores, somebody is going to say to us, "Nah, it can't possibly be done, because the grid won't handle it." We will need to know what the answers are to that, and really be able to test whether we are confident that the heat electrification programme that you are embarking on properly interacts with the plans for the grid upgrade.

**Miatta Fahnbulleh:** Absolutely. This intersects with Minister Shanks's portfolio. We are very alive to the problem. Both the NESO and the work that has been done by our clean power mission team are looking at this question. We have to get the right mix of infrastructure, and we need to make sure that the grid is not a bottleneck. We also need to think about



what that transition looks like and how the grid changes as we make that transition.

That has been looked at in the round. There is a lot that we are trying to do pretty quickly, so we are updating the analysis at the moment, and we are thinking about the different scenarios. The boss has made sure that we have that question front and centre of our mind.

**Chair:** It would be a good idea if he wrote to us to set out the detail, because, as Polly Billington has just been saying, this is absolutely fundamental, isn't it?

Q92 **Sir Christopher Chope:** The precursor to having a heat pump is that you have to have a well-insulated home. Do you think you are giving enough emphasis to the issue of insulation? You have already won the hearts and minds of people on insulation—most people want to have a well-insulated home. But people do not want to buy into having to change their gas boiler for an ineffectual heat pump. You have the same problem with demand there as you do with people trying to sell electric vehicles into the private consumer market: there is a lot of resistance. That is all linked in, isn't it, with scepticism about whether there is any necessity for having these net zero targets? Aren't all the problems we are describing largely flowing from having an unrealistic net zero target?

**Miatta Fahnbulleh:** Maybe I can chunk that up in three parts. First, let me take the question of the net zero target head on. There is a net zero imperative around this, but for me there is also an affordability and a consumer imperative. I say that because the current status quo, where we have over-reliance on fossil fuels as the mechanism for powering the economy and heating our homes, is not working for consumers. If we had any doubt, the energy crisis we have just come out of disabuses us of that. There is a consumer good for people in terms of homes that are warm and cheaper to run, which is driving everything we are trying to do in the warm homes plan. Candidly, that takes primacy over everything else as we do that transition.

Secondly, it is not either/or. Over the history of upgrades, there is either over-emphasis on fabric first or it is about clean heat, but my view is that we have to take the house as it is. Some homes will be energy-efficient enough that you can put in a heat pump and it works, and people will be warm and not having to pay a fortune. For other homes, you will need fabric upgrades. The flexibility we need to create in the scheme is to allow your installer and provider to figure out what works for that particular consumer and what works for that type of home, so that they can put in the right interventions.

Thirdly, if we think about our boiler upgrade scheme, we have had the highest number of applications on record this October. People are clocking on. My problem is that it tends to be consumers with deeper pockets who are benefiting from this. All the surveys suggest that once they get a heat pump, people love it. We need to make sure that it is not



just those at the top who can access this, but that it is accessible to everyone, including low-income households. A lot of the thinking now is about how we make this an affordable and desirable proposition. If we get that right, there is genuinely a consumer benefit to this.

**Q93 Luke Murphy:** You talked about working with industry, which I completely agree with. We had a representative from the industry here earlier today, who urged caution in the extreme around the benefits of heat pumps and caution around the costs. Are you sure they are on board in the way in which you described, and have they been let off the hook, because they were also quite critical about the clean heat market mechanism?

**Miatta Fahnbulleh:** We have insurgent parts of the sector—the likes of Octopus—that are on board. They can see both the consumer benefit and the commercial benefit. They are putting in big amounts of investment, and doing lots of work on innovation to get this, because they think this is the future. The lessons from other parts of the world are that this will be a big part of what we do.

The boiler manufacturers—I imagine your representative was from the boiler manufacturing world—are on board, but in the end they have a captive market with gas boilers. What most of them will say to us is, “We’re producing heat pumps on the continent,” because most of them are rooted here, but they are also on the continent. It is not that there is an aversion, and my view is that we need them to go on this journey. Once it makes commercial sense, they will move. What we are trying to do through policy is design this so that it makes commercial sense. That is about the up-front costs and the running costs, but it is also about making sure that we are creating the right incentives on the supply side for that move to happen.

What I would say to them is that, yes, gas boilers will be part of the mix; we are not going to force people to rip out their gas boilers. But they know that that is not a long-term solution, and they are candid about that with us. Their issue is, “We want to try to work together to get to that outcome. Our frustration with the last Administration is that we weren’t working in partnership and that Government weren’t listening.” We are listening, but we are very clear about our ambition. The first conversation I had with them was, “We are not resiling from the ambition here, but we will work together on the barriers, and we understand that there are demand-side barriers and installer barriers. Our job is to work together to bypass that.”

**Q94 Claire Young:** The previous Government committed to making a decision about the role that hydrogen would play in decarbonising heating in 2026. There were calls at the time for this to be brought forward, because of the systemic uncertainty it was creating. Of course, there were knock-ons on things like the future of the gas network. First, have you reached a decision on the role of hydrogen and, if not, when can we expect this?



**Miatta Fahnbulleh:** We inherited the programme of work on hydrogen from the last Government. That is still ongoing. We are committed to reviewing and examining the role of hydrogen in home heating. We know that there are calls across the piece for us to speed that up. We are trying to do it in the right way. We are trying to make sure that we have looked at the evidence base in the way that the last Government committed to and we are committed to. We will be coming out on that in due course.

Q95 **Claire Young:** How are you going to balance the need to decarbonise homes quickly and at a large scale with giving consumers a choice about how they heat their homes in the future?

**Miatta Fahnbulleh:** I would say two things. We will do the work on hydrogen, and we need to do the work on hydrogen properly. In some respects, the reason why the Government are making a strategic bet on heat pumps is that we have looked at the range of technologies, and heat pumps make sense—partly because of the efficiency that we have talked about, partly because if we can get the cost metrics right, it is a viable solution, and we have the ability to install it at pace. There will be a balance, but the key for us is we have done the evidence base on the technology. What needs to come next is all the other work we need to do to make sure that we are making it as easy for people as possible.

Q96 **Claire Young:** If you have done the work on the technology, surely that means you can make an announcement about that decision sooner. If the work you are still doing is about how you make that easy for customers, that can come after the decision about what the technology is going to be. This gets on to the next question I have, which is about the future of the gas network and whether you have a plan for how that can be decommissioned, if that is the way you see it going. If the future of heating is electric, what role do you see for the gas network in the future? If it needs decommissioning, you need to plan for that. If you have done the work on the decision about the technology, why not announce that now?

**Miatta Fahnbulleh:** The review is ongoing, and there are parts of the review that we still need to complete, which we inherited. It is right that we do that properly. It is not lost on us that people want a decision, and that is as much on the gas network side as it is advocates of heat pumps. We recognise that, but it is right that we do this bit of work. Wherever we end up on hydrogen, we know that heat pumps are going to have a big role to play. We are confident that we can make the strategic bet on heat pumps and do the policy around that.

The question that we are then asking is, what is the role of hydrogen alongside electrification? There is a whole set of issues. We know we will definitely have hydrogen in the context of commercial and industrial. It is a question of, what is the role in homes? We are trying to do that work properly in order to announce.





Q97 **Claire Young:** Turning to the issue of those who are living off the gas grid at the moment and transitioning to low-carbon heating, it sounds very much like you are betting the house on heat pumps. We have been told that, for many off-grid homes, you would be looking at renewable liquid fuels. We have not had the promised consultation yet on the renewable liquid heating fuel obligation. When will you publish that consultation?

**Miatta Fahnbulleh:** Let me make a wider point, and then I will ask Jess or Olivia about the specific consultation. Yes, we are making a strategic bet on heat pumps, but my view and our view is that we have to get to the right solution for different types of homes, which is why, for example, heat networks have an important role to play. We need to make sure that we have a clear answer.

Heat pumps work for a lot of our off-grid rural communities, but they will not work for them all. We are open about, and we are keeping under constant review, what the set of technologies is that might work for those households. I have had lots of MPs get in touch asking me about the specifics of that question. What I have said is that we will keep all technology under review, and the thing that will guide us is the evidence base around the efficiency, the cost to consumers, and the ease of delivery.

Those are the criteria by which we take a strategic bet on whether this makes sense, and whether we are willing to put in Government investment and funding. It is worth saying that the private sector is cracking on and doing lots of things and lots of technologies, but this is about where Government support and subsidy come in. Those are the three criteria that guide what we are trying to do.

**Jessica Skilbeck:** We are going to have to write to you on the specific answer there.

**Olivia Haslam:** I can do that one if you want. Just on rural properties, for the small number of properties where a heat pump might not be a suitable solution, there are other options. At the moment, the BUS supports biomass heating systems for rural properties. That is an option for a number of properties. We recognise that renewable liquid fuels, like hydrotreated vegetable oil and renewable liquefied petroleum gas, could play a limited role, but sustainable biomass is a really limited resource. We expect to prioritise the use of that resource in sectors where there are no alternatives, like solid biomass.

There is also a risk that the cost of that resource for use in domestic heating is very high. While there are obviously powers in the Energy Act 2023 that the previous Government took to look at that obligation, at the moment we are basically keeping the evidence under review.

Q98 **Claire Young:** You are not necessarily going to publish the consultation at all. Is what you are saying?



## HOUSE OF COMMONS

**Olivia Haslam:** We are keeping the evidence under review because of the challenges on affordability and availability.

Q99 **Chair:** Now that you have mentioned biomass, do you count Drax as a sustainable part of biomass?

**Olivia Haslam:** There is obviously a different set of issues around large-scale biomass generation, but obviously there are very stringent sustainability requirements associated with biomass in large-scale electricity generation.

**Chair:** That did not sound like a yes.

**Olivia Haslam:** Well, yes, it is supported as a renewable technology, and there are standards in place that ensure that the fuel source comes from sustainable forestry.

Q100 **Chair:** Okay, we can pursue that elsewhere. I have something else on biomass. Are you looking at extending the use of sewage for production of sustainable biomass—something other countries are doing more of?

**Olivia Haslam:** I am afraid that, on that one, if you are talking in respect of electricity generation more generally, we might have to write to you.

**Chair:** That would be helpful.

Q101 **Torcuil Crichton:** Minister, Olivia, Jessica, thank you for coming in. We are almost on the home straight. I just want to pick up on something you said, Minister, about confidence and trust, because there is a feeling that consumers are lost in retrofit land. Half the people do not know where to go for independent advice, even though everyone is worried about their energy bills. You have things like these energy performance certificates, which can be contrary as well—they can advise people to fit a gas boiler rather than a heat pump, as you suggest. I just wondered what you are doing to adjust these certificates and this advice, and how you are going to restore consumer confidence?

**Miatta Fahnbulleh:** That is a very good question. We are reforming the energy performance certificate. In fact, the consultation came out today, hot off the press. It has been a shared endeavour between us and MHCLG. In part, the reforms try to do a number of things to make it far easier and more accessible for consumers. They also make sure that the metrics we are measuring by capture the range of things we want to see in the household—smart readiness, fabric performance, the clean heat dimension and the cost dimension—so it is a far more comprehensive picture of the home than the current certificate provides.

We are hoping that that will help, but there is another piece, which is navigating through the landscape, the advice that is there for people and what the trusted advice system is. We have a digital platform, we have a helpline and we have local demonstrators. If I am candid, it probably is



## HOUSE OF COMMONS

not a one-stop shop that people can reach for, that they even know is there, quite frankly, and that allows them to navigate through the system.

In a world where we need to make this as easy for consumers as possible, there is one place you go, you pick up your phone, you get advice that you can trust, and that helps you navigate through the system. One of the questions that we are thinking about is, how do we build on what we have, to get something that is far more visible and accessible, but, critically, that makes the journey very easy?

**Q102 Torcuil Crichton:** You mentioned that people would buy into this when it made sense for them and when they got something out of it. One of the suggestions we heard from an earlier panel was linking energy efficiency improvements to things like a stamp duty reduction, which would possibly increase the value of your house. It sounded like a good idea. What do you think about that?

**Miatta Fahnbulleh:** You would not expect me to comment on a Treasury policy. What I would say is that there is a question about at what point you put incentives and triggers in the system. We know that there are points at which people are more likely to engage. When you are moving home, if you are ever going to do upgrades to your home, that is a point where people will engage. It is the same, for example, when you are upgrading your boiler; that is a point at which you will engage. We are thinking about what those trigger points are, and what sorts of incentives we might put in place to shift behaviour and get people to think about this.

**Q103 Chair:** The banks are saying that they already have green finance products to get people to commit to upgrading their homes when they buy them. Are you looking at that as well?

**Jessica Skilbeck:** We absolutely are. I was just going to bring together the two points of your question. We are very aware that all the consumer surveys say that Government is a trusted source of advice, but they are not the only place that people go to. For example, with the clean heat market mechanism, part of the idea is to engage the workforce in the transition that we are looking to see. The same applies to the financial intermediaries; when you are getting a mortgage and talking to them, they are a point of contact about what you might be doing in your home. And, yes, we are very actively looking at the green finance market and what is available, but what we hear back is that it is a question of demand

**Q104 Ms Billington:** Can I just follow up on that? The GFI and others are looking at particular regulatory changes that might increase the possibility of people being able to borrow against the cost of their property, and for the debt to sit on the property rather than on the person, which might increase the possibility of people being able to invest long term in the fabric transformation of their home. I have been banging



## HOUSE OF COMMONS

on about this for more time than I care to mention. I would be interested to hear whether this Government are going to be open to that, when previous Governments have not made that regulatory change.

**Miatta Fahnbulleh:** We recognise that there is a job to be done in terms of the cost and financing of this, and we are looking at the range of options at the moment. There are lots of products in the market, and people are not taking them up, so we are asking ourselves why that is and what we might design that is different. My objective is to get as close to low up-front costs as we can, because that is a big barrier to people engaging. There are lots of different ways we can do that, from low-cost loans to green mortgages, through to things like subscription models, which some manufacturers are piloting at the moment. We are looking at them all and trying to think about what the right set of interventions is that can get over that up-front barrier.

Q105 **Torcuil Crichton:** I have just one last question, because you mentioned mortgages there, Jessica. Some mortgage lenders will not lend against homes now that have that spray foam in the loft, which was fitted under Government schemes. What lessons have been learned by the Department on that, and how will that change in the future?

**Jessica Skilbeck:** There has been extensive engagement with the mortgage industry to ensure that there is up-to-date guidance, and we have seen an improvement in terms of how they approach the lending decision. We are very aware of the issue, and it is absolutely something that we are learning lessons from.

Q106 **Torcuil Crichton:** About a quarter of a million homes are affected by this, yes?

**Jessica Skilbeck:** I do not have the figures to hand, but yes.

**Chair:** That is the figure we have had. It was in a *Sunday Times* report as well.

Q107 **Josh MacAlister:** Welcome to the Select Committee. My constituency and a number of other constituencies are at the top end, but two thirds of homes sit below acceptable energy efficiency standards. One of the obstacles is the workforce being in place to do upgrades for things like heat pumps. The Heat Pump Association suggests that there are only 11,000 qualified heat pump engineers in the UK at the moment, and that needs to treble in order to get to where we need to be by 2028. I have a very small-scale and positive development in my constituency: the Green Energy and Skills Centre at Lakes College, which is brilliant, but we are obviously going to need something game-changing to get from 11,000 to 33,000 within four years. Can you talk us through the plans you have to do that major ramping up of qualified engineers?

**Miatta Fahnbulleh:** Yes, good question. Since 2021, the Department has invested over £28 million in skills and training. We are now looking at ways in which we build on that. We have our heat training grant, which is



## HOUSE OF COMMONS

about £5 million, and which is training people at the moment. The lessons we have learned are that where training schemes are working well, it is because manufacturers or suppliers are training their supply chain and installers. We also have great examples of local, regional government creating skills academies and training en masse.

The workforce challenge is a constraint. The thing that makes me relatively optimistic is that we have 130,000-odd gas boiler installers. The training to become a heat pump installer is about a week, or a week and a half, so we can and absolutely must convert the workforce. The work we are trying to do now, having learned the lessons of supplier-led schemes, manufacturer-led schemes and some of the really innovative schemes that are happening through regional and local government, is about how we bring that together to get the scale that we need. Part of it will be place-based—

**Q108 Chair:** The previous panel told us that a heat pump engineer earns £10,000 less than a gas boiler installer. That is not a particularly good cause for optimism, based on what you just said, or do you have different figures?

**Miatta Fahnbulleh:** I am not 100% sure about those figures, but what I would say is there is an opportunity and a risk for us. The opportunity is that if we get this right, we are talking about creating lots of jobs in every part of the country. We have to be intentional about making sure that those jobs pay a decent wage, about the quality of those jobs and about the precarity of those jobs. One of the difficulties for installers is that they do not really have a long-term pipeline of work, so it is very precarious.

For me, it is good old industrial strategy: when we do this, there is an opportunity for us to create jobs and to do it in quite an intentional way, as well as to build up a workforce and to make sure that that workforce has the quality and wage level that we would want to see. It is not going to happen by accident; we have to do it in an intentional way. It has not been done in an intentional way in the past, and that is the shift that we want to deliver and create.

**Q109 Josh MacAlister:** The concern of the GMB, which was here immediately before, is about the transient nature of any transition, and that, having had a really established workforce with really good standards, secure work and good pay, what replaces it will be less than that. Is the Department working hard to address that and reassure the GMB and others on their concerns?

**Miatta Fahnbulleh:** One hundred per cent. They are right to raise that as a concern. That is a legitimate risk if we do not get it right. We are very clear that we want to work with the unions, the workforce and the installers. I come back to the fact that there is a big opportunity here, but if we are not intentional about job quality, precarity, wages, training and



## HOUSE OF COMMONS

apprenticeship opportunities for people, so that this is a step, it will not happen. That is our responsibility as we design this.

For me, there is a demand-side piece, a supply-side piece and a workforce piece, and that is all part of an integrated strategy. We have to do some work in terms of our national strategy, but there is a big amount of work that needs to be done at the local level, where there is a role for local and regional government to think about the workforce, the skills they are providing, and how they do this in quite an intentional way. That is a shift from where we are, but that is absolutely where we need to get to.

I do not know whether any colleagues wanted to come back on your number, which I did not recognise.

**Olivia Haslam:** I did not recognise the number either.

**Chair:** If you look at the transcript of the session today, you will be able to see that. Again, if you come back to us, that would be very helpful.

**Claire Young:** I just have a quick question, Minister, on how you are working with other Ministers on the apprenticeship levy. I was talking to a further education college locally that serves my constituency, although it is not in it, and it was saying that it sees big problems with how things are working at the moment. The big companies are quite often spending the money on their senior employees, not on the shopfloor; money is just ending up going back to the Treasury; there are issues with the bigger companies effectively pinching staff; and the smaller companies do not pay the levy and so on. What they were suggesting was that the levy could be held locally and funnelled through further education colleges, to train the staff who are not being trained by the big companies. I just wonder whether that is the sort of discussion you are having with your Ministers from other Departments.

**Miatta Fahnbulleh:** The Department for Education is looking at the apprenticeship levy. We know that parts of it are working really well, and parts of it are not working well, for some of the reasons that you set out. Reforms are in train. My colleague, Minister Jones, who is overseeing the jobs and skills part, is working very closely with the DFE. The question for us is that there is a big workforce training proposition not just in retrofitting, but across the green agenda, so how are we using the levers we have to make sure that we are generally responding to that? We are working very closely and thinking about how we can leverage some schemes and make them work better to deliver the uplift that we need to see.

Q110 **Anneliese Midgley:** Another aspect in terms of the incentivisation of the workforce, which was raised by the GMB on an earlier panel, was that the amount that you get in grant, versus the time the gas engineer has to take off work, is not an encouragement for them to take time off the tools, because they are losing thousands of pounds in work. What are the





## HOUSE OF COMMONS

Government's plans on that? Given that energy is such a highly unionised sector, could you also say a bit about what the Government are doing to work with the unions on a plan and pathways around this?

**Miatta Fahnbulleh:** There are two parts. There is just a job we have to do to make sure that there are the right incentives for the installers. If you speak to installers on the frontline, they will give you a whole host of reasons why what is perceived in policy terms to be a bias against heat pumps, for example, is a set of things that mean the incentives are not aligned. We are trying to look at that in the round, so that once we have done the training, there are incentives that mean when you go into a household, you are as willing to promote heat pumps as you are gas boilers. That is the first thing, and we do not have the answer to that, but that is what we are absolutely working on at the moment.

On the unions more widely, we are absolutely trying to work closely with them. I met the TUC recently, and we have agreed on a programme of work to address many of the questions that have been raised. How do we make sure that we are getting insights from workers at the frontline as we design this? How are we dealing with the question of job quality? How are we dealing with the question of precarity? How are we dealing with making sure there are the right financial incentives in the system? I have made a commitment to work with them as we design the strategy for the warm homes plan, and we will deliver that.

We are also working with individual unions—the GMB obviously. There is big representation in terms of our gas boiler workforce. In the end, they are at the coalface of this transition, and we would be mad as a Government if we were not listening to them, learning from them, understanding what our policies feel like on the frontline, and thinking about how we design—particularly on the workforce training and incentive side—the right set of interventions that mean that the transition we see is not just good for consumers, because it has to be good for the workforce as well.

Q111 **Josh MacAlister:** I had a constituency surgery on Saturday morning in Seascale, and there was a resident who had been pretty burned by poor consumer protection—not actually on heat pumps, but on solar, although there is probably a lot of read-across. Are the Government concerned that consumer protection and workforce accreditation schemes are adequately protecting customers from occasional dodgy work?

**Miatta Fahnbulleh:** We are concerned, and the cases that you are picking up in your surgeries are cases that are also filtering up to us. There are structural problems, and one of the challenges is that we have standards and accreditation that are quite complicated, and the accountability structures are not wholly clear. So we are trying to look at it in the round to do two things. First, we are trying to make sure that it is accessible and easy to understand for a consumer and, critically, that there are much clearer lines of consumer redress, so that when something goes wrong, the system kicks in without you having to fight



## HOUSE OF COMMONS

really hard to get the system to work for you to redress. That is the first thing that we are looking at.

Secondly, on the supply and installer side, it is very hard to navigate. Suppliers will tell us it is quite costly to navigate to get the right level of accreditation. The final thing is, if you are on a Government scheme, there is a whole tapestry of accreditation that works. If you are not, good luck.

**Q112 Josh MacAlister:** This individual had actually been through the complaints processes and all that kind of thing, and then fixing work had been done—not well, and the firm went bust. In those situations, people are left completely abandoned by the system.

**Miatta Fahnbulleh:** Yes. We recognise that it is not as robust as we need it to be. I come back to the point about trust and reputation, and to the fact that if we want to persuade millions of people to go on this journey, they have to have complete confidence that when they have an upgrade, it is of the best standard and quality, and that when things do not go right, they are not left, and there is a redress mechanism. We are looking at how we strengthen that in order to deliver these things.

**Q113 Josh MacAlister:** Is there a moment when you expect the Government to share more details on consumer protections in this space? Is that part of the warm homes programme announcement in the spring?

**Miatta Fahnbulleh:** Yes.

**Q114 Chair:** You mentioned that being on a Government scheme gave protection, yet the spray foam scandal was on Government schemes. There is quite a job of work to be done to overcome that. What reassurance can you give that it really will happen in future?

**Miatta Fahnbulleh:** We have a whole host of intelligence from the ground that there are problems. We are taking them very seriously, partly because there is a basic question of consumer protection and redress, but more fundamentally, every bad install amplifies, in terms of the reputation of what we are trying to do. It is about trust and confidence, and people have to feel that this is good for them. I care about this, because if you have a consumer who has been left in the lurch by a bit of work that is not very good, that is a problem, but it also does huge reputational damage. We are trying to get a sense of the scale of the problem, and we are thinking about the future protections and mechanisms we put in place, but also about what we are doing to make sure that the system is responding to cases where work has not been installed properly.

**Chair:** Thank you very much. Minister Miatta Fahnbulleh, Jessica Skilbeck and Olivia Haslam, thank you very much indeed for your evidence. Can I just finally say that you have promised to write to us? We are producing our report imminently, so we really need your written submission within the next two weeks, please, so that we can include your comments in the



# HOUSE OF COMMONS

final report. Thank you again. That concludes the session for today.