

Business, Energy and Industrial Strategy Committee

Oral evidence: Decarbonising heat in homes, HC 110

Tuesday 20 July 2021

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Members present: Darren Jones (Chair); Alan Brown; Richard Fuller; Ms Nusrat Ghani; Paul Howell; Mark Jenkinson; Charlotte Nichols; Mark Pawsey; Alexander Stafford.

Questions 66 - 113

Witnesses

I: Rt Hon Kwasi Kwarteng MP, Secretary of State, Department for Business, Energy and Industrial Strategy; Rt Hon Christopher Pincher MP, Minister for Housing, Ministry of Housing, Communities and Local Government; Charlotte Baker, Director of Net Zero and Greener Buildings, Ministry of Housing, Communities and Local Government.



Examination of Witnesses

Witnesses: Kwasi Kwarteng, Christopher Pincher and Charlotte Baker.

Q66 **Chair:** We are now moving on to the next session, and thank you for being with us for both of them, Secretary of State. It is a bit of a marathon session for you. On the screen also we should be welcoming Christopher Pincher, who is a Minister in MHCLG, and Charlotte Baker, who is the director for net zero and greener buildings as an official in MHCLG. Good morning and thank you for being with us.

To get us going from my perspective, the first question is on the report to Parliament from the Climate Change Committee about progress in decarbonising heating in our homes. It noted in its report that emissions related to buildings had fallen by 13% between 2008 and 2018, but in its view most of this had happened prior to 2015, and it said that progress since 2015 had been negligible. I am interested in your views on that.

Christopher Pincher: I will leave Kwasi to follow up and make some additional comments. You said the years you are looking at are between 2008 and 2018. Without understanding how the numbers are worked, I would make two comments. First, I am not sure what the effect of the 2008 to 2010 crash might have been on the overall housing stock. Certainly, the numbers of houses built between 2008 and 2012 fell off very significantly, so I do not know if that had an effect.

Q67 **Chair:** Just to interject, Minister, what it was referring to was that the bulk of the progress made had been made in that period, but my key question is this. It said that progress since 2015 had been negligible. I am just interested to know whether you agree with that or not.

Christopher Pincher: We have made some significant progress. For example, in 2013, we changed the fabric standards of buildings, which means that there is now much less need for retrofit of those buildings built from 2013. That will have a medium to long-term effect on our ability to hit our targets. From about 2012 or 2013, we started to build significantly more homes, and that might in itself have had an effect, given that between that period and 2018 the use of condensing boilers was being regulated and phased out. There is clearly a lot more we can do, which is why we are introducing the future homes standard. I am sure you will ask me more about that in a moment, so I will not dwell on it now.

Kwasi Kwarteng: What I would say about this whole period is that, in a way, the goalposts changed. We had the Climate Change Act 2008, which essentially mandated an 80% reduction in carbon emissions by 2050. In 2019, only two years ago, we had a much more stringent target that was passed in law. You are quite right: we are accelerating, trying to deal with decarbonisation and trying to effect decarbonisation in buildings and heating homes. We have had a number of programmes launched in the last two or three years that deal with that. I fully recognise the data. I would say in mitigation that the goalposts have changed somewhat, and



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we are much more focused on this agenda than we perhaps were in the 2015 to 2019 period.

Q68 Chair: Secretary of State, let me just stay with you. I know your personal view on the heat and buildings strategy, because you told me on the Floor of the House of Commons that you wanted to publish it some time ago, but it has been delayed yet again. Could you explain to the Committee what is holding it up?

Kwasi Kwarteng: If you look at the heat and buildings strategy, you have to see it as part of a wider set of strategies. You have to see it as a wider push towards a coherent net-zero plan. We not only have the heat and buildings strategy; we have a hydrogen strategy. My own view, expressed when I was Energy Minister, was that the hydrogen strategy probably made sense to come out before the heat and buildings strategy. Other people took a different view, but I am pretty sure that that is what is going to happen. We also have the net zero strategy coming out in September.

The question is where the heat and buildings strategy fits into all of this. That is what, in a way, it has fallen victim to. We have to work out what the staging is of all these strategies, because they are all coming out. They all embody really good, progressive, interesting, highly important work. We need to work out how we can land all these strategies in as effective a way as possible. I am pretty sure that that is one of the principal reasons why we have seen the delay that we have.

Q69 Charlotte Nichols: I was just turning my fan off in the background, in the hope that it does not interfere too much, noise-wise. If I could direct my question towards the Secretary of State: what progress has the Government made to date in relation to the energy White Paper's commitments on domestic heat decarbonisation?

Kwasi Kwarteng: We have made a considerable amount of progress. You will mention the green homes grant, but a lot of the green homes grant—50% of it—was actually very successful. I will explain why. The green homes grant, which got rightly criticised in some quarters, actually did deliver on half of what it was meant to do. There was a £3 billion envelope; half of that was directed towards homeowners. We are thinking of a way of replacing that.

For the other half, £1 billion of the £1.5 billion was in terms of decarbonising public sector buildings through Salix, which has worked very effectively and the money has been disbursed. All those decarbonised buildings are being rendered more energy efficient. That has been successful. Some £500 million was given directly to local authorities to disburse to more vulnerable people and people in social housing. That has been effectively disbursed.

The green homes grant, which is often portrayed as something that was not successful, actually did achieve some success. We have also



continued the energy company obligation scheme, which requires energy companies to deliver energy efficiency and heating measures. We have manifesto commitments, which I am making sure we stick to, regarding the home upgrade grant and the continued decarbonisation of social housing, which I was referring to, and to decarbonising public buildings.

There is progress. We can do a lot more. Chris Pincher can talk to some of the upgrades in homes standards, which MHCLG is leading the charge on and driving progress in that regard. There has been considerable progress in the last two years on that. Having said that, we are very committed to this; we are actually trying to follow it through on the things that we have been committed to.

Q70 **Charlotte Nichols:** Mr Pincher, on the future homes standard mentioned there by the Secretary of State, in the energy White Paper the Government committed to publishing a strengthened future homes standard as soon as possible, whereby new build homes will be zero carbon-ready by 2025. Considering that the Government aim to build 1 million homes in this Parliament alone and that these homes will need to be retrofitted, how much will it cost to bring new homes built before 2025 up to that zero-carbon standard?

Christopher Pincher: As I said in my earlier answer to Mr Jones, the changes to fabric standards that were introduced in 2013 mean that we will have gone a significant way to ensuring that we minimise the need to retrofit homes. Between 2013 and 2021, the focus would be on retrofitting to heat pumps, for example. I say 2021 because of the feedback we have had from businesses and the sector since we made the uplift to part L of building regulations this year, requiring homes to be 31% more carbon efficient than previously, and because we have specified that from 2025 the future homes standard will require new homes to be at least 75% more carbon efficient.

Developers are already making those changes. I was at the Legal & General factory up in Sherburn in Elmet a couple of weeks ago. They are already installing heat pumps in their modular frames. Therefore, the cost to retrofit—this may be a question that BEIS will also be interested in—will be far less than you might suppose, particularly because, by the time that retrofit is required, given the uplift in skills and the number of heat pumps that BEIS is driving, the cost of them and of their installation will have fallen off by even more than they presently cost. The costs will be minimal.

Q71 **Chair:** Minister Pincher, surely it is right to say that it is unfortunate that we have different actions happening at different times. For example, here in my constituency, I have some new housebuilding going on in a community where many families are on low incomes. They are being built with gas boilers, and probably not with all the energy efficiency mechanisms that we would like to have seen from the green homes grant. Presumably, either people on low incomes will rent them or some people will be able to buy them, and then in a few years' time we are



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going to be saying, "Now you actually need to pay yourself to get your insulation done and your boiler changed." They are rightly going to be aggrieved by that.

Is it not fair to say that, in government, we should have been co-ordinated in the chronology of these announcements in order to ensure that, on the ground, the houses being built today are in line with our net-zero carbon targets?

Christopher Pincher: In a perfect world, you may be right, but of course we need to build homes now to meet the housing challenge that we have. If you talk to organisations as disparate as KPMG and Shelter, they all say that we need to build north of 250,000 homes every year to meet the housing challenge that we have, in terms of not just brand new homes, but replacement homes to replace the stock that really does need to be replaced. We have to do that now; we cannot stop.

That means we cannot wait for industry to get ready in terms of the skills and the kit to produce those homes. We have taken the judgment with BEIS, and we work very closely with BEIS, to identify what we think is a reasonable timeframe for skills and resources to be built up to implement the future homes standard—using heat pumps, for example—while still building the homes the country needs. As I say, because of the way that BEIS is working to increase the output of heat pumps twentyfold, the cost of retrofit—which I appreciate is a hassle factor for people—will be much less significant than may be supposed.

Kwasi Kwarteng: Minister Pincher made a very good point. Can I add to his answer? What Minister Pincher referred to is critically important. There is a whole supply chain. If you are building a house, a whole range of skills are required to build the energy-efficient house. One of the issues and challenges we had in the green homes grant—we are always learning about these challenges and trying our best to improve—is that, because of the short-term nature of the scheme, it was very challenging to ramp up the skills that could deliver what we required.

We have to bear in mind what Minister Pincher said when we think about building houses, which we had to build in the hundreds of thousands every year, and the kinds of standards we want to see. Yes, we want to see those standards come in as quickly as possible, but we have to make sure that the supply chain, in terms of skills and actual capacity to deliver those homes, is there as well. Those are two things that need to be in sync, which can appear, in some instances, to delay things.

Q72 **Chair:** Those are both perfectly fair and legitimate answers. I am just thinking from a perspective of a constituency MP. Constituents in the future owning those new homes will come to me and say, for example, "The Bristol housing market is very hot. It was very expensive to buy this house. I stretched my income in order to buy this house. Government knew that they were going to want these changes to be made. Now I am being asked to pay for things that I cannot afford to do, whereas the



housebuilders have taken their profit margin, gone off and paid off their dividends.” What would you say to constituents in that specific scenario?

Kwasi Kwarteng: You will know that we have considerable support for people to make the transition. That is why I refer back to the manifesto commitment, which I know you did not stand on, but I and the Minister did, to have £9.2 billion over 10 years to help in the transition, with things like the social housing decarbonisation fund, where some of it has been well distributed by local authorities so far, and the green homes grant. There is more to do. We have ECO, the energy company obligation, which puts the burden on energy companies to make energy efficiency measures. We have the warm homes discount. There are lots and lots of ways in which we are going to mitigate those burdens, as we should do.

Q73 **Alan Brown:** I will focus on heat pumps, and I will direct my questions to the Secretary of State. I wondered if you could tell me what your understanding is of the typical cost of installation of a heat pump and associated works with that.

Kwasi Kwarteng: Today—and Minister Pincher referred to this—the price is something in the region of, or north of, £10,000, but once we give a clear indication to the market we will see investments of capacity, and that cost will come down, as it is doing with electric vehicles and as it has done in terms of the price of offshore wind. I have no doubt that, once we give a clear signal to the market, investors will invest sufficiently to reduce that price. We have already seen Greg Jackson, the CEO of Octopus Energy, say that we could have a £5,000 cost of a heat pump, which is almost at the same level as the cost of a boiler. That process will mean that, in a few years, there will not be such a differential in cost, but clearly that has to happen if we are going to see the uptake that we would like to see.

Q74 **Alan Brown:** So you think the cost will actually halve.

Kwasi Kwarteng: I was simply quoting an operator in the energy space, whom I speak to regularly, who has been good enough to say that publicly. I am not saying whether it is going to happen; I am saying that actual operators and investors in the market today can see a world in which it does halve. I am simply reporting what they have suggested publicly.

Q75 **Alan Brown:** The Government, in the 10-point plan—and it has been reiterated—have a target of 600,000 heat pump installations by 2028. How many heat pumps are installed annually at the moment, and what is your plan to increase that number to reach the 600,000 target? Effectively nothing will change this year, so that is going to have to be delivered over a six-year period.

Kwasi Kwarteng: It will have to be delivered.

Q76 **Alan Brown:** How will that happen? What are the Government going to



put in place to have a ramp-up?

Kwasi Kwarteng: One start is the publication of the heat and buildings strategy. That will give a very clear indication to the market of our direction in this.

Q77 **Alan Brown:** Will there be a staged pathway, even? Sorry, can you just tell us how many heat pumps are installed annually at the moment, compared to what that 600,000 target is?

Kwasi Kwarteng: Off the top of my head, it is about 20,000, so there is clearly a massive ramp-up that we need. Given the incentives and the direction that we are showing, that is not unattainable in six years. If you look at EVs, where were they six years ago?

Q78 **Alan Brown:** So you think you set a target and everything will be okay. The number of installs at the moment is not increasing, so surely the Government are going to have to do more.

Kwasi Kwarteng: Setting a target does help; it does not go the full way. We have seen this many times. I have mentioned offshore wind, which you are very familiar with. That was a target. We incentivised investment. We are going to have to look at doing that. As I have said before, I am looking forward to the publication of the heat and buildings strategy, where a lot of these questions will be answered. You are then going to ask me when that is going to come out, but I am hopeful it will come out soon. As your Chair, Mr Jones, knows, I am very keen to see it published.

Christopher Pincher: In response to Mr Brown's question, it is worth saying that the fact that we are introducing the future homes standard in 2025, and that we have made it clear to industry that we are doing it then and will legislate for it in 2024, is exactly the target that he is looking for, to get industry, across the supply chain, as the Secretary of State refers to, to get itself ready to meet those requirements. We have effectivity set the target in our commitment to legislate in 2024 for a 75% uplift in carbon efficiency by 2025.

Kwasi Kwarteng: What the Housing Minister said is a very fair point. We have the future homes standard and we have clear targets in that, which will be read across by the industry in terms of the demand that we want to see.

Q79 **Alan Brown:** As a comparison, at the moment something like 1.7 million gas boilers are installed every year in the UK. The future homes standard eliminates some of that 1.7 million, but how many gas boilers are still installed in existing homes per year out of that 1.7 million that would need to be replaced with some low-carbon technology?

Kwasi Kwarteng: We understand the nature and the scale of the problem. As I would always say, and I have always said since I was Energy Minister, there is no silver bullet. Heat pumps are not going to



provide 100% of the answer. Heat pumps are part of the solution. There is a lot more work that I am trying to push forward in terms of heat networks and how we can use them. Of course, there are trials as of today—I am not talking about the future—about how we can use hydrogen in a gas distribution system, which of course is a decarbonised source of heating. If that can take off and work through hydrogen in the gas system, and through heat networks and heat pumps, we can get to a much more decarbonised world.

Q80 Alan Brown: I will come back to that in a minute. Just to stick with heat pumps, the Climate Change Committee has stated that there need to be 900,000 heat pump installations per year by 2028 for the UK to be on track to deliver net zero. That is 50% greater than the UK Government's own target. Why does your assessment of the scale and pace of heat pump installation differ so much from the committee's?

Kwasi Kwarteng: They were actually initially responsible for the 600,000 figure, which we are committed to. The basis on which you have 900,000 or more is in the case that hydrogen does not succeed. What they are saying is, "As the world is today, this is what you need." What I am saying is that there are other technologies that we will need to harness, which could mean that the number of heat pumps you need will be less than the figure that they have put forward.

We are working on different assumptions, and that is a legitimate thing for us to do, because I am going round the Government and saying, "We need a hydrogen strategy. We need to produce hydrogen." I am a great believer in the idea that hydrogen can be part of a decarbonisation solution for buildings. Their 900,000-a-year figure essentially assumes hydrogen is a non-starter, which I disagree with.

Q81 Alan Brown: When are you going to make the decision between the extent of hydrogen being involved in decarbonisation versus electrification?

Kwasi Kwarteng: What I am trying to get across, very ineffectively, it would appear, is that there is no silver bullet in this. That was one of the first things I learned when I became Energy Minister two years ago. There is a range of technologies. It is not as if heat pumps are 100% of the answer. That is what I said a few minutes ago. It is not as if hydrogen is 100% of the answer. It is not as if nuclear is 100% of the answer. There are different technologies that we will need to harness to get to net zero. It is a nuanced picture. It is not a question of saying, "Is it electrification or is it hydrogen?" The answer is actually both, and more.

Q82 Alan Brown: Just to conclude, we are going to get the net-zero strategy in September. We are going to get the heat and buildings strategy sometime in the autumn, probably. We are going to get the hydrogen strategy sometime soon. Even between these three strategies we will still not understand what the Government's position is on the balance



between the use of hydrogen in the network and the use of electrification.

Kwasi Kwarteng: Forgive me; I have to express some degree of bewilderment. It is expressly the case in 2021 that we cannot predict what the cost of these relative technologies will be in 2050. As I have repeatedly said since I became Energy Minister in 2019, we can have guidelines and we can have targets, but there is no Energy Minister in the world, not even in Scotland, who can tell you what the mix of technologies will be in 30 years' time. We have to look very widely across the decarbonisation space and encourage a range of technologies. That is why we have the 10-point plan and these various strategies.

Actually, the core message of each of those strategies, because I have been responsible as Minister for initiating them, is that we will need to look at a range of solutions. It is not the case that one technology will solve the decarbonisation challenge, and anyone who thinks that—I am not saying you do—misunderstands the nature of the decarbonisation challenge.

Q83 **Alan Brown:** With these strategies, we will not understand what the final mix is going to be, so the strategies are going to be at a very, very high level.

Kwasi Kwarteng: There is no one in the world who can tell you in 2021 what the precise energy mix will be or should be in 2050. What we can say is that we want to decarbonise. We want to eliminate coal, which we are doing. We want to see a mixture of low-carbon and, in most cases, non-carbon technologies be a part of our world in 2050. What we cannot do is say, "20% will come from here; 30% will come from here," or, "100% of the homes in this country will be on heat pumps." We do not know how hydrogen can be deployed.

All I am doing is trying to encourage investment in these technologies, so that we can scale them up. Ultimately, it is not the job of a Minister in 2021 to prescribe the exact path towards an energy mix in 2050, in 29 years' time. Nobody can do that.

Q84 **Alan Brown:** That confirms at this stage that you can set a net-zero plan, but we do not know if we will hit net zero by 2050, because nobody knows what the future is going to hold.

Kwasi Kwarteng: I am saying that you can aim for net zero but the actual mix cannot be predicted 29 years ahead of the event. I do not think what I am saying is controversial.

Q85 **Alan Brown:** Are the Government considering a heat pump sector deal?

Kwasi Kwarteng: It is a very good question. We will have to wait and see. It sounds like a dodge, but we will have to wait and see the heat and buildings strategy. There is definitely a plan and consideration in terms of incentivising the sector. That is why I referred to Greg Jackson's point



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about the £5,000 heat pump. It is clearly something that we want to focus on. I do not think it will be a separate sector deal. It is quite a small sector when you compare it to the oil and gas sector and others, but there is definitely an approach that we want to incentivise production in this area.

Q86 Alan Brown: It is a huge target to achieve, despite what we think about balances.

Kwasi Kwarteng: I completely agree with you. It is very challenging, but it is something we are focused on delivering.

Q87 Charlotte Nichols: Secretary of State, this question follows on from some of the questions from Alan Brown. What policy options are you considering in order to help to reduce the upfront cost of installing a low-carbon heating system, whether it is what the Government are doing to ensure that the switch from a gas boiler to a low-carbon heating system is cost-effective, or what is being done around financing schemes, for example?

Kwasi Kwarteng: That is a great question, which really goes to the nub of this issue. You will know we had a green homes grant that was announced pretty much this time last year, maybe in the autumn, and we were committed there to a voucher scheme, which would help people, particularly people on lower incomes and more vulnerable people, to make the switch. That scheme has closed, and I have answered questions about that, but I am very much looking to essentially have a new version, particularly for the owner-occupier space, focused on people on lower incomes who have less capacity to pay for the transition. That has been a consistent thread in our policy on this.

Another area that we are looking to support is green finance. The UK Infrastructure Bank is an interesting development. I have always openly championed the need to look at green consumer finance so that people can get loans to do specifically green things to their homes and where they live. Any encouragement that you could give to the UKIB and to officials in order to look at green consumer finance will be gratefully received. This is a debate we are having within Government, and I am very keen that we can innovate in this way. Bankers tell me that there is a demand for these products, but we have not quite seen the uptake that we would like to.

Q88 Charlotte Nichols: You mentioned lower-income consumers and who shoulders the burden of the costs of transition. I am interested to know whether the Government are planning to revise the way in which environmental levies are apportioned between gas and electricity bills, because obviously you are significantly more likely to be in fuel poverty if you rely on electricity solely for your energy consumption at home. What will you be doing as a Government to ensure that fuel-poor and vulnerable consumers will be protected from increases to their heating bills?



Kwasi Kwarteng: This is really important. Fuel poverty has been 100% of our focus. Looking at the green homes grant, the local authority delivery scheme was explicitly directed. I think it helped something like 50,000 households with a household income of less than £30,000 a year. In terms of rebalancing—if that is what we do—the costs of gas and electricity, all these schemes are always focused on making sure that vulnerable consumers and consumers on lower incomes can afford to make that transition. There is no way that we could do this without providing that level of support. Everyone is committed to that.

Q89 **Richard Fuller:** Secretary of State, what do you think the role of the UK Infrastructure Bank is going to be in this particular challenge?

Kwasi Kwarteng: It is a really good question. As you can imagine, I was involved in those conversations about the UK Infrastructure Bank as Energy Minister, as well as Secretary of State. The best way to think of the UK Infrastructure Bank is as a successor bank to two institutions that we had. Rolling back the clock 10 years, when we first entered the House, Mr Fuller, we had the EIB, the European Investment Bank, and then in about 2015 we launched the Green Investment Bank. We sold the Green Investment Bank in 2017, and I need not remind people that we left the EU in 2019.

The best and simplest way I think of the UK Infrastructure Bank is as a successor to the Green Investment Bank, which we sold in 2017, and the portion of the European Investment Bank that we were responsible for. The UK Infrastructure Bank has a green mandate. It invests, co-invests or lends money, I should say, to green infrastructure projects and to general infrastructure projects. It has net zero much more embedded.

If you look at other banks across Europe, you have KfW, which is a bank with a huge balance sheet—something like €500 billion. The UK Infrastructure Bank will have a balance sheet of only around £15 billion to £20 billion, but it can expand. One of the things that KfW does very well is green consumer finance. If you are a German who wants to borrow money to install a heat pump, you can go to KfW and get a loan for that. I am very much interested in looking at ways that we can expand the UK Infrastructure Bank in that way. It is not part of its remit now, but I can imagine in the not-too-distant future that it can do that.

Q90 **Richard Fuller:** It has up to £22 billion in capital.

Kwasi Kwarteng: I said £15 billion to £20 billion, sorry.

Q91 **Richard Fuller:** It is an evergreen fund. I have a couple of questions specifically on the things we have talked about. You have spoken to colleagues about not being able to foresee 29 years ahead. The bank is going to be placing some investments. As an evergreen fund, can you confirm it is going to have a profit motive in its investment and its support?

Kwasi Kwarteng: Yes.



Q92 Richard Fuller: It says in the policy statement for the bank that it will “also play an important role in supporting and developing early-stage technologies”. On my register of interests, I am an adviser to an investment technology fund, but that sounds a little risky. Could you just amplify a little bit, in this particular sector, how that will work—the profit motive and the appetite for risk?

Kwasi Kwarteng: It is a £22 billion balance sheet. We can quibble about the definition of the balance sheet and the capital, but, yes, it is around £20 billion. The UK Infrastructure Bank will do, as I said in my answer to your first question related to this subject, a lot of the work that the Green Investment Bank did in the 2015 to 2017 period. If we look at what the Green Investment Bank did, it invested a lot in offshore wind. It gave loans to offshore wind development and to some other renewables. These were loans that at the time, for whatever reason, the traditional lenders in the market were more reluctant to lend, because they were unspecified or unproven technologies.

As the Green Investment Bank has supported a lot of this investment, and as the investment has happened and the capacity has been built, traditional banks are much more ready to lend to an offshore wind operator than they were five or six years ago. That is a classic case where a Government-backed entity, in this case the Green Investment Bank, stepped in where there was a capital requirement that normal lenders, for whatever reason, did not want to supply. It helped the market grow and, as a consequence of that growth and intervention, “normal” lenders and the market now have no problem in issuing loans.

The UKIB will have a very similar function. It will step into new technologies, which, as you say, bear a bit more risk. That is precisely why we needed to have the UK Infrastructure Bank, because if the market was willing to lend on that basis we would not need this. The lending would be happening and the investment would be made already. We would not need to have a separate institution. That is exactly the gap that the UKIB is designed to fill. As I say, it replaces the Green Investment Bank, which we sold, and the European Investment Bank, which we left because we left the EU.

Q93 Alan Brown: We have already had the green deal failure and there was stop-start financial support with the green homes grant, where the money was eventually pulled. Energy companies have said that the stop-start nature makes it difficult for investment to come in and for long-term planning. What lessons have the Government learned from the failure of the two schemes so far?

Kwasi Kwarteng: I have tried to make this point a number of times, but you are clearly not buying my argument. I do not think the green homes grant was a 100% failure. There were successes in it. I have talked about the public sector decarbonisation commitment, and the £500 million that was disbursed by the local authority delivery scheme aspect of the green homes grant. The other half did face challenges, and I am prepared to



own up to that. We learned that to deliver a scheme like that, in the short timeframe we gave ourselves, was very challenging. We had to build up the supply chain in the way I have described, and we needed to take a longer view.

Where I disagree with you is in terms of the direction of travel. The energy companies I speak to were extremely grateful and happy to see the energy White Paper launched in December last year. They were extremely excited by the Prime Minister's 10-point plan, which he announced in November last year, just eight months ago. As a consequence of the 10-point plan and the energy White Paper, we have seen a huge interest from investors, not just in the UK but from around the world, who want to invest in decarbonisation in the UK, whether it be hydrogen, carbon capture, the Nissan deal, Nissan investing in Sunderland, Envision making batteries, electric vehicles and Stellantis, which I was very pleased to announce.

Q94 Alan Brown: Can I just focus on the green homes grant? Were you happy to return the £1.5 billion that was allocated for that back to Treasury? What discussions are you having with Treasury to develop a long-term fiscal support basis for energy efficient insulation?

Kwasi Kwarteng: You mentioned energy companies, and I was just addressing that. With regard specifically to the green homes grant, yes, I wanted the scheme to work for a longer period. We allocated a short period. We had difficulties in disbursing the money and, as I said, with the supply chain. We are having conversations again about how we can refine and make a better scheme. That is something that makes complete sense, as far as I am concerned, but in that space, as I said, for half the envelope, the scheme worked very well.

Q95 Alan Brown: You mentioned the local authority aspect was successful, so when you are going forward you are going to look at more models in terms of local delivery, then.

Kwasi Kwarteng: You are right. I have said this before: the whole way we talk to local government about net zero is at an early stage. The legislation was passed only two years ago. There are lots of ways in which we can engage with local partners, local authorities and local institutions to drive the message.

I was very pleased to speak to a forum chaired by Andrew Street about a week ago, where he had mayors of different political persuasions. We had Andy Burnham, Steve Rotherham and others like Andy Street talking about this very issue of how we can use local networks. It was not just metro mayors; there were CEOs and leaders of unitary councils—a whole range of local authority figures.

Q96 Alan Brown: Will more money be allocated for these types of delivery bodies, then?



Kwasi Kwarteng: If it is a question of money, I have mentioned the fact that we have manifesto commitments. We used the local authority delivery network to distribute £500 million, and there are other ways we have allocated money to use local authority delivery to disburse it. They have done that effectively. They have also done that effectively in regard to Covid support over the last year.

Q97 **Charlotte Nichols:** Secretary of State, I mentioned fuel poverty earlier, but in terms of the wider consumer protection and engagement piece, I am interested to know how you have assessed the specific impacts that the transition to decarbonised domestic heat could have on vulnerable consumers. We have heard in previous evidence sessions that the fuel poverty strategy for England lacks the funding to bring about meaningful change. How are you working with Treasury colleagues to ensure that the strategy has sufficient funding to deliver on its goals?

Kwasi Kwarteng: You are right: it is a challenge. That is exactly why, in answer to Mr Brown's question, I said that I am engaged in a conversation to find out how we can replace the half of the green homes grant that we had to shut down. That is something that the Chancellor of the Exchequer is also very engaged with, as is the Prime Minister.

Q98 **Paul Howell:** I want to move on a little bit, further away from costs to basic communication when it comes to educating consumers. There was an Ofgem report about consumer engagement, and many of the consumers did not know about the need to decarbonise their heat. Everybody knows about recycling, transport and things, but heat just does not seem to hit the radar screen with people and they do not feel as responsible as we would like them to be. How can we get that into a much better place?

Kwasi Kwarteng: You are right. I will refer to my answer to the question on local authorities. We have to think in a much more joined-up way, not just within Government, but also across local government and civic society generally, about how we can drive out this message. By way of optimism, I have been a candidate in five general elections: 2005, 2010, 2015, 2017 and 2019—pretty much all the elections this century, apart from 2001. I do not know whether members of the Committee would share this experience, but this was the first election in which anyone ever raised climate change, decarbonisation, heat insulation and energy efficiency. This is the only election, 2019, in which this was raised. There has been an improvement, definitely, but we could do a lot more.

Q99 **Paul Howell:** I agree with you in terms of people raising the issue of climate change, etc. It was specific to heat in the house.

Kwasi Kwarteng: They mentioned heat as well. You are right: it is more of a sub-issue within the whole climate change agenda, but people who are aware of the climate change issue are very conscious of the carbon-emitting nature of a lot of our buildings in the UK.



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Q100 **Paul Howell:** I do not disagree. It is something we will need to put more focus and publicity into.

Kwasi Kwarteng: I think so, but any ideas would be gratefully received. The job of your Committee is to scrutinise, but as MPs I am sure you can come forward in coming up with answers to a lot of these very challenging problems.

Q101 **Paul Howell:** I am sure we can. Moving on to a slightly different point, when you go into a new technology like this, there is always a risk around the quality or robustness of solutions that consumers are being offered. What can be done to make sure that they are educated enough to know what they are buying, and that there are robust checks and balances that we have the right consumer protection? I think that is the right phraseology.

Kwasi Kwarteng: You are right. That is one of the reasons we have quite a robust system of regulators. Ofgem, which I have had many dealings with over the years, is very focused on this. Its remit is consumer protection. It has the energy price cap, which has been effective in some ways. We also have the energy company obligation scheme, which requires energy companies to deliver energy efficiency.

With the support, there is also technological support, because the operators have to pass certain standards. In the green homes grant, for instance, the suppliers and installers had to have accreditation in order to be qualified to make the installation. We are always looking at ways in which we have a degree of scrutiny and safeguards in delivering the technology.

Q102 **Paul Howell:** Citizens Advice is calling for the Government to establish a net-zero homes guarantee to be a Government-backed scheme, focused on giving people confidence to install these low-carbon heating systems. Do you have any views on that?

Kwasi Kwarteng: That is the first I have heard of the proposal, so I cannot give you an instant response. I have spoken to Citizens Advice before in my role as Energy Minister, and I would be very happy to speak to it again about policies that it is coming up with to help us, ultimately, help the consumer make this transition.

Paul Howell: I think the more voices, the better.

Kwasi Kwarteng: Yes, absolutely.

Q103 **Mark Pawsey:** Just to follow Paul Howell's point about consumer awareness, do you really think that consumers are aware of the impact of decarbonisation of the heating system within their home? We know that, when it comes to decarbonising travel, they see low-emission buses around. They know that electric vehicles are available for them to buy. They know they are expensive, but there is a greater awareness because it is highly visible. Heating their homes is much less so, and I am not



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convinced that people realise the consequences of the decisions that they are going to be asked to make.

Kwasi Kwarteng: I have admitted that there is a job to be done to drive people's knowledge and consciousness of this more, but I also said that, if I look back five years, we have made a lot of progress. People are talking about boilers and heat pumps. They are reading about what we might be doing to gas boilers. They are reading about alternatives to gas and they are conscious—not everybody, but more and more people are.

Q104 **Mark Pawsey:** They might be the early adopters, but what about the general consumer?

Kwasi Kwarteng: Well, how do we define the general public? My sense is that it is probably not a majority of people, but it is a growing minority. If I look back to when you and I were elected in 2010, nobody was talking about gas boilers, electrification or heat efficiency. I do not recall having any conversation like that with any of my constituents. Today there is a much greater consciousness of this, particularly with heat and buildings.

Q105 **Mark Pawsey:** You are exactly right. Given the innovation that is going to take place, how are we going to ensure that consumers are protected? How do we make certain that people do not buy an inefficient system that is very expensive to operate? How do we protect the consumer through this process?

Kwasi Kwarteng: That is a really fundamental question. I have tried to answer it in terms of the regulator. Ofgem, in the first instance, and other regulators have a responsibility. The Government also have a responsibility. That is why in the schemes we have introduced, like the energy company obligation and the green homes grant, as was, there was an accreditation. It was not simply that anybody who could claim that they could install these things had the right to do so; they had to go through an accreditation process. Some people would say that was too bureaucratic, but it is absolutely necessarily for the reason you mentioned.

Q106 **Chair:** I have a final question on machinery of Government. There is a huge task ahead in decarbonising heat in homes, both existing and new in our country. How do BEIS and MHCLG currently collaborate at ministerial and official level in driving this agenda, and does that need to change?

Kwasi Kwarteng: I have set up a net zero buildings council, just as we have the Jet Zero Council, which is a bilateral council between us here in BEIS and the Department for Transport. We have hired a CEO, Emma Gilthorpe, and the Jet Zero Council is really taking off. There are lots of interesting ideas, and great people on the council. Robert Jenrick, in his Department, and I decided that a net zero buildings council is a really timely and necessary thing to replicate what the Jet Zero Council is doing.



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That is why I am hopeful that we are going to have a first meeting in September. We will have an agenda. The heat and buildings strategy will feed into that. We can try to work in a very co-ordinated way. We have worked in a co-ordinated way, but we want to continue doing that and making the case as coherently as we can within Government—obviously we are on sympathetic ground in Government—and more particularly to the wider world, to the supply chain, in the first instance, and ultimately to consumers, constituents and normal people, who, in our country, are very open to this agenda.

Christopher Pincher: That is an absolutely fundamental question of how the machinery of Government knits together. I will say three things, but, in introduction, for my third point I will ask Charlotte Baker, our director for net zero and greener buildings, to tell your Committee about some of the nuts and bolts that bind together MHCLG, BEIS and other Departments. It will be a really useful way for your Committee to learn about what goes on behind the ministerial scenes, to show you that we are really joined up.

Quite apart from what the Secretary of State has said about the number of meetings, there are various sub-committees of the Cabinet looking at decarbonisation of heat. There is the climate action implementation committee chaired by Alok Sharma. That last met a couple of weeks ago, which Kwasi and I were both at. Ministers are meeting frequently to discuss the overarching issues and the supply chain challenges that we have together in our individual programmes.

As a second point, it is worth mentioning local government, because from MHCLG's point of view every week we have a meeting of the nine senior CEOs from local government with Ministers. They are going to be talking about climate change at an upcoming meeting. As Minister for Local Government, Luke Hall regularly meets with the LGA and other local leaders, and individual Ministers with particular responsibilities also go to those meetings. We engage local government, we get their feedback, and we are able to try to address the opportunities and the challenges that they provide to us.

We are also knitted together behind the scenes in officialdom. Charlotte, do you want to say some words about how we knit together with BEIS and Treasury, to name two individual Departments?

Chair: Charlotte, we cannot hear you, unfortunately.

Christopher Pincher: Charlotte, are you on mute? Well, while Charlotte is trying to get herself off mute, we co-chair a heat and buildings strategy committee with BEIS, which meets every week or fortnight to discuss the challenges that we face with knitting together the supply chain challenges that we have. Every month, directors-general from across Whitehall meet and discuss a range of matters, such as issues related to heat and decarbonisation. We regularly engage with DfT, for example, because the Department for Transport is responsible for driving the challenge of



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getting charge points put around the country. Local authorities have a crucial role to play in that, because they know their areas better than Whitehall, but we engage with DfT to drive that forward.

There are a number of other committees that elliptically have an interest. For example, there is a committee on fuel poverty, chaired by DWP, which looks at ways in which we can reduce energy bills for people on marginal incomes. I sit on that from a housing perspective. Kwasi Kwarteng's Ministers sit on it from a BEIS perspective, because retrofitting means better insulated homes, which means lower heating bills. There are a whole range of ways in which Government are knitted together to deliver this agenda.

Chair: Charlotte, can we hear from you now if there is anything further you want to add? We cannot hear Charlotte Baker, unfortunately. Given that we have timed out, we might just invite you, Minister Pincher, and your officials to write to us with anything further that you might want to add. Do not do anything too fancy for us, but if you could organogram those committees across Departments, just so we can refer to that in our inquiry report, that would be very helpful to us.

Christopher Pincher: We will do that within the usual caveats.

Chair: With the usual caveats, you will provide it to us. We will look forward to it, Minister Pincher. I am conscious we have run out of time, so I will have to bring this session to an end. Thank you to Secretary of State Kwasi Kwarteng, Minister Chris Pincher and Charlotte Baker from MHCLG, and to colleagues and Clerks, as always. I will now bring this session to an end.