House of Commons

Business, Energy and Industrial Strategy Committee

Oral evidence: Energy Efficiency, HC 1730

Wednesday 24 April 2019

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Watch the meeting

Members present: Rachel Reeves (Chair); Vernon Coaker; Drew Hendry; Stephen Kerr; Peter Kyle; Mr Ian Liddell-Grainger; Mark Pawsey; Antoinette Sandbach; Anna Turley.

Questions 387 - 483

Witnesses

I. Claire Perry, Minister of State for Climate Change and Industry, Department for Business, Energy and Industrial Strategy; Ben Golding, Director, Energy Efficiency and Local, Department for Business, Energy and Industrial Strategy.

Examination of Witnesses

Witnesses: Claire Perry and Ben Golding.

Chair: Thank you very much, Minister and Ben Golding, for coming to give evidence to us this morning on energy efficiency. As you know, this is the final evidence session in our inquiry. Minister, I know you had a very busy day yesterday, so thank you for coming back straightaway this morning to give evidence to our Select Committee. We look forward to hearing from you this morning.

Q387 **Peter Kyle:** Thank you, Minister. The number of insulation measures going into people's homes has reduced by 95% since 2012. Why do you think that is?

Claire Perry: I will start by saying, Chair, that it is a pleasure, as always, to give evidence to the Committee. I appreciate the grilling that you give to this and many other policy areas. I say that with a double espresso just about to go in. I apologise for bringing in coffee; I hope that is not out of order.

I genuinely welcome this inquiry. We have been very struck, as you know, by the progress we have made in many areas, and we discussed those yesterday. I think we have all been struck by how difficult it is, particularly on the retrofit side, to get into homes, so we genuinely welcome, in the spirit of learning together, the inquiry and recommendations.

I have a couple of points. First, questions were asked about the value for money of installations that were being delivered, and those were appropriate questions to ask. Arguably, some measures were being done for homes that could easily afford to pay, and measures were being done that were the kind of low-hanging fruit, if you like. Since then, we have seen an adjustment of what we are going to spend this money on. In particular, you will know I have taken ECO and focused it on fuel poverty, rather than, as somebody said, buying LED lightbulbs for middle-class homes.

As we have seen, that quantum reduction has made an impact, but we have also seen suppliers telling us they have gone after a lot of the low-hanging fruit. Now we are in some of the harder-to-reach areas and, frankly, in areas where innovation will help us. There are only a limited number of homes for which cavity wall insulation, for example, applies.

Q388 **Peter Kyle:** But a 95% reduction is not just low-hanging fruit. That is an absolutely profound reduction. You accept Government policy is lying behind that.

Claire Perry: There was a lot of pulling forward. As always, with an end in Government policy, you will see a big rush to bring things forward. I accept there is clearly a correlation between the amount of money that has been made available and the amount of installations. I will perhaps ask Ben, who is far more experienced in this area than me.

We have to take a really close look at what we are trying to achieve and how much it is costing for installation, and not just rely on Government subsidy to try to achieve everything. We know the really hard nut to reach, if you like, is the owner-occupied housing, where there should be every incentive for people to be prepared to make those investments. Indeed, that was why we had the green deal, which I am happy to talk about. We need to work out more intelligent ways to go after that group. Perhaps I could ask Ben to comment on the numbers, if that is okay.

Ben Golding: I think the 95% refers to the difference between the rate of insulation under ECO in 2017 and its predecessor scheme in 2012. The Minister is right. It is worth digging into the numbers a bit more. The difference in funding levels between those is about 50%, so it does not account for the 95% reduction. It is worth saying that 2012 was the very peak of delivery under the predecessor scheme, because it was the last year and suppliers were rushing to get the targets done, whereas I think 2017 was the lowest year of delivery under ECO, so that is a bit exaggerated but it is still significant.

It is due to a number of things. Obviously, the difference in funding is part of it. The low-hanging fruit accounts for a lot. There is the search cost of trying to locate the remaining cost-effective insulations, which becomes more challenging as you go through.

Q389 **Peter Kyle:** Let us have a look. You have cut ECO in half. You scrapped funding for the green deal. You have abandoned the zero carbon homes regulation and you have sold off the Green Investment Bank. Which of those things do you think has had the biggest effect on home insulation?

Claire Perry: As you will know, Mr Kyle, the ECO policy was focused on energy efficiency. It was not necessarily focused on value for money. I am happy to defend the change in zero-carbon homes. I looked at that policy and it was an incredibly cost-ineffective way of delivering what would have been a relatively small number of improvements.

Q390 **Peter Kyle:** How important do you think home insulation is? By your own figures, you are set to miss the fifth carbon budget by 10%. To what extent is home insulation responsible for that?

Claire Perry: In total, homes account for 15% of carbon emissions. One of the first things I did as a Minister—sorry, but I think it is important—is to say, "What is the cost effectiveness of each measure? What is the bang for the buck for every pound we spend, as Government, as a consumer, or as a private sector organisation?" The challenge with homes is that it is really hard to reach people, as the Committee will know. Things like the green deal, which, with the best will in the world, were an attempt to break some of the barriers, did not work. Essentially, that was unsuccessful, but the structure is still there and we know there are some investments taking place in that.

We set out in the clean growth strategy a really high ambition, and it is really important to have that ambition to focus everybody. As the Committee will know, since the clean growth strategy we have brought forward a whole series of measures—I will not rattle through them—including the future homes standard that was announced in the spring statement. That was much more ambitious than the thing we had set out in the clean growth strategy, which was to have all new homes off the gas grid, rather than to have them built without fossil fuel, so I think ambition is rising.

Q391 **Peter Kyle:** But delivery is falling.

Claire Perry: No, I just do not think Government subsidy is the way to deliver every outcome. We have to get ourselves out of the mindset that everything has to be done through a subsidy. My sense is that the changes we made to ECO last year, which are focused entirely on fuel poverty and which are a much higher uplift for innovation, will be more effective.

I get things through my letter box all the time, offering me a free new oil boiler under my Government scheme. Why? Because I am off the gas grid and some supplier has just gone out and had a contract to basically shove these things out there. There is no targeting. The people who I think are most likely to follow up on that offer are those who are probably likely to be able to afford it anyway. I just think these schemes have been really badly targeted.

Q392 **Peter Kyle:** The Committee on Climate Change has told us we are way off track to meet the Government's target for all homes to reach EPC band C by 2035, and that progress is slipping further. There seems to be a big gap between aspiration—you are very clearly ambitious to close this gap and deliver these things—and what you are delivering in practice.

Claire Perry: We always take what that committee says seriously. We only set that target 18 months ago. I would draw the Committee's attention to a couple of things that were surprising to me. The UK ranks fourth in the world on the international energy scorecard. Average household energy consumption has fallen 17% since 1990, so we are making progress. We have set out an ambitious target, which did not exist two years ago, and now we know we have to do more. That is why we welcome the inquiry, to see how best we can fund it in a way that, essentially, does not put up bills for those least able to pay.

Q393 **Peter Kyle:** But the way to do more is not to do less.

Claire Perry: The way to do more is to work out the most cost-effective way to do things and not burden the poorest consumers with measures that are being put in place to help those who are able to pay.

Q394 **Peter Kyle:** Do you expect us to have confidence that you are going to close this gap and that home installations are going to go up?

Claire Perry: I do. I want to pay tribute to Ben and Karen and the team. We have now, for I think the first time, sat down and tried to understand what the quantum would be in order to achieve an EPC band C. No Government have ever set out what it would cost to do this. I am happy to share that number with the Committee if it is helpful. I caution that it is a BEIS number. We estimate that to get to EPC band C would cost £35 billion to £65 billion or so, about the amount it has taken to decarbonise the energy sector. That could be much lower if cost curves reduce much more quickly for different sorts of technologies. We have been stuck in a very low innovation environment for home insulation technologies.

We are treating it as a national priority, being very ambitious and using legislation like that which the Chancellor announced, which is that we will ban the building of fossil fuel-dependent heating systems by 2025 in all new homes. That is much more ambitious than we had in our carbon calculations for the clean growth strategy. This is a really difficult area, but my confidence levels are now much higher than they were that we can achieve what we want to do.

Q395 **Stephen Kerr:** Good morning, Minister. As ever, you throw yourself into these subject matters, and it is respected. What is the annual capital investment required to ensure the Government reach their target of getting all homes to EPC band C by 2035?

Claire Perry: As I set out, we have tried to answer this question of what the total quantum we would expect to spend would be, not on an annual basis but in total, between now and 2035. I do not know whether that is the net present value number.

Ben Golding: No, that is a total capital investment figure. The numbers the Minister set out—the £30 billion to £60 billion range—are a sense of the total capital investment required to achieve that target.

Q396 **Stephen Kerr:** In its report, Frontier Economics put the number at £5.2 billion a year. Is that about in your direction?

Claire Perry: So what's that—we are, say, 15 years out?

Stephen Kerr: That is to have all homes EPC band C by 2035. It is about the same number.

Ben Golding: It is broadly consistent, yes. The reason the range is so wide is that the technology mix impacts a lot, so it depends on how you do it. There are a lot of different ways to get to that level with different mixes of things, and we do not know how much costs will reduce, so it is broadly consistent.

Q397 **Stephen Kerr:** But the amount of capital involved is about right.

Ben Golding: It is about right.

Claire Perry: By the way, none of these numbers is discounted for the time value of money, which means they get smaller. There is an interesting modelling exercise to be done.

Q398 **Stephen Kerr:** Currently, the public investment, as we discussed earlier and as Peter highlighted, is £0.7 billion. That is a huge gap. That is £4.5 billion of a gap, is it not?

Claire Perry: That is the money we are now targeting at the most vulnerable homes, so those living in fuel poverty. It gets back to this question of what the technology mix is and who should pay. Should Government subsidise somebody like me, on an MP's salary, to improve the energy efficiency of their home? Arguably, no, because I could afford to make the capital investment, or indeed borrow it, and I could afford to repay it and capture the energy savings.

The big question is why people who can afford to pay are not doing it. This is this challenge of regulation, the power of convening in Government and working with the financial sector to see what more can be done. Barclays launched the first ever green mortgage in our Green Great Britain Week last year, because there is clearly value in having people upgrade their homes—both capital value and improved running costs—so the economic case is there.

Q399 **Stephen Kerr:** Economically it is a no-brainer, is it not?

Claire Perry: Yes. There is obviously a tipping point as to when they become economic.

Q400 **Stephen Kerr:** The energy savings achievable through this target of EPC band C by 2035 are the equivalent of six nuclear power stations the size of Hinkley Point C. This is a no-brainer, is it not?

Claire Perry: It is, but it has been a no-brainer for 20 years and no one has managed to crack it, which is why we have to focus.

Q401 **Stephen Kerr:** What is the key to unlocking this private input that is lacking at the minute?

Claire Perry: There are two things. First, how do you unlock that economic value? For those who are able to invest, how do you make that a financeable proposition? That is where the role of the banks and the building societies is hugely important. There is also the role of getting green finance in. One of the areas I would really like to focus on is the social rented sector, and making that a flag bearer. We have discussed with housing associations whether they could do green bond issuance. That will help to do the third thing, which is to drive down the costs of technology.

My home in my constituency is not suitable for cavity wall insulation. It is an old brick house. It has good insulation in the loft. It is pretty energy efficient. There must be better ways of driving some innovation and driving costs down to get to those harder-to-reach homes, particularly in rural areas. That will also be part of it.

Q402 **Stephen Kerr:** We do not have anything currently available to us to unlock that.

Claire Perry: We have ECO.

Q403 **Stephen Kerr:** You are recognising the problem, but we do not have solutions.

Claire Perry: I would slightly disagree. The pot of money we have is ECO, which is £700 million a year. It is not insignificant. We can focus that on fuel poverty and innovation, and particularly rural areas. We are starting to see, are we not, Ben, some of the ideas that are coming forward from those suppliers? They are not just blanket mass mailing people who have oil boilers.

Q404 **Stephen Kerr:** For example, the National Infrastructure Assessment states that we would have to have 21,000 insulation measure installations every week by 2020 up to 2035 in order to hit the target. Through ECO, we are currently delivering 3,500. We are losing ground all the time, on the basis of the National Infrastructure Assessment, so it is a fairly weighty bit of analysis.

Claire Perry: That does not capture other measures that are being done that are not financed by bill-payers, such as people making a decision to improve their home, say, when they are doing building work or when they are buying a new home—all the points at which people make decisions to upgrade their home and invest in insulation.

Ben Golding: I have a few things. The scale of the challenge is absolutely right. It is very helpful, as it has been, to look at this by tenure type. ECO is being focused on fuel poverty. That is the right place for Government funding to go.

If you look at rented homes, there we have brought in a minimum standard. That will drive a level of investment. The clean growth strategy set out plans to look at increasing that standard over time and to do an equivalent in the social housing sector, so you start to get drivers there.

For owner occupiers, the Minister is absolutely right: we need to look more at green finance, so the sort of thing Barclays has done through a green mortgage. It is worth thinking about the other half of the owner-occupier sector, because half are actually owned outright, so green mortgages will not work and we need to look at other things—other green finance measures like possibly equity release loans. We are trying to look across the whole range of things.

Q405 **Stephen Kerr:** Ben Golding, do you accept the modelling that has been done by Cambridge Econometrics and others that there is an increase in GDP of £3.20 through the energy efficiency programme measures for every pound invested by the Government? Do you accept that?

Ben Golding: We would certainly accept that there is a significant return on investment.

Q406 **Stephen Kerr:** I am a Scottish MP, so I can speak more freely about this. Why are English residents so badly served? I know these are averages, but look at the average per capita investment variance between different parts of the United Kingdom. It is £35 in Scotland. It is £23 in Northern Ireland. It is £17 in Wales. It is only £8 in England. Why is England so badly served in this area?

Claire Perry: Sorry, just to clarify, is this Government subsidy going into home energy efficiency?

Q407 **Stephen Kerr:** This is the amount of public money being spent in energy efficiency efforts. It Scotland it is £35 annually per capita, but it is £23 in Northern Ireland, £17 in Wales and £8 in England. As a Scottish MP, it seems to disproportionately disadvantage English taxpayers.

Ben Golding: I do not have the detail of those figures in front of me, but different approaches will be taken by different parts of the UK.

Q408 **Stephen Kerr:** Yes, exactly. That is the point I am making, and England seems to be disadvantaged. That is the point I am trying to make. There is a lot going on in Scotland, which is good, and in Wales, and in Northern Ireland, in relative terms—only half of what is being done in Scotland is being done in Wales—but then look at England. It is quite a statistic, I would have to say.

Claire Perry: ECO is a UK-wide measure. I would be very happy to write to the Committee and analyse those numbers in more detail. It may well be that, because ECO has a fuel poverty focus, there may indeed be more homes that are both substandard and—

Q409 **Chair:** I think it is because the other parts of the UK, the devolved Administrations, are putting additional money in after the money was cut at a national level. I think that is why there is more money spent in other parts of the UK. I think Stephen is making the point that it does not seem very fair on English households that it is harder to get those improvements to make your home more energy efficient and to reduce fuel poverty, compared with other parts of the United Kingdom.

Claire Perry: I do not mean to obfuscate; I really would like to try to clarify. Essentially, we have a whole bucket of measures. Some things are paid for directly by Government. For example, warm home discount is—no, that goes on bills as well. There are some things paid for directly by public spending. There are some things that go on bills across the UK. There are some things that local authorities will top up. If we could, we would be happy to look at those numbers, try to crunch them and come back with some responses.

Stephen Kerr: That is fair enough.

Claire Perry: Genuinely, I am trying to learn from what local authorities and other DAs are doing. Working out the most cost-effective ways to deliver, working out how we drive a market, has to be the right thing to do. There is no sense that England is trying to resist. There may just be different measures applying in different ways.

Q410 **Stephen Kerr:** I do not think England is trying to resist. It just seems to me that there is a different priority in different parts. That is a by-product of devolution, which I applaud, but it seems to be disproportionately disadvantageous to England. This should be my last question. In Scotland in 2015, I think, the Scottish Government made energy efficiency a national infrastructure priority. Why do the Government here not do that for England?

Antoinette Sandbach: Hear, hear.

Ben Golding: The question we are asked is this. This has come up quite a few times.

Stephen Kerr: So you will have a well-rehearsed answer.

Claire Perry: The answer is: "What does it mean?" We had this debate yesterday about just saying the words. Of course there is a climate emergency. Announcing one from the Dispatch Box does not change anything. We have to have action. Actions, not words, are important. I pay tribute, though, because the National Infrastructure Commission's work on this has been really helpful. I have to say, the Committee, and certain members of the Committee, have been pretty consistent in describing the focus on energy efficiency as the missing link, as you have described, Mr Kerr—the reduction in emissions and energy cost. Let us take that away. It may well be that it is a good policy announcement. I would encourage the Committee to look at and review the things we have done, legislating for the least energy-efficient private rented homes.

Q411 **Chair:** We have done that in the inquiry, Minister.

Claire Perry: Good. Thank you.

Q412 **Chair:** Can I just come back to an answer you gave to Peter Kyle earlier? The previous BEIS estimates were that we were off target to meet our fifth carbon budget by 7%, with a range between 2% and 17%. My understanding is that, earlier this month, those estimates were updated by BEIS, and now the projection is that we are off target to meet our fifth carbon budget by between 6% and 20%, with a central estimate of 10%. Is that right, Minister?

Claire Perry: Forgive me, Chair. The numbers I have continued to use and was giving yesterday suggested that we were off track against the 1990 level by 7%. There is always a question, because we tend to rebase things back to 1990.

Chair: Yes, I know.

Claire Perry: I am very happy to come back and respond to those.

Q413 **Chair:** Yes. I do not know whether Ben Golding could enlighten the Committee. My understanding is that BEIS projections from earlier this month now show that we are off target by 10%, with a range between 6% and 20%. Is that right, Ben Golding?

Ben Golding: I am afraid I will need to come back as well. I do not have the figures to hand.

Chair: We will move on, then.

Q414 **Anna Turley:** I would like to focus in particular on low-income and fuel-poor households for a while. There are some quite concerning statistics. The number of homes in fuel poverty has increased since 2014-15, according to the Committee on Fuel Poverty annual report. The report says that that number has increased by 210,000 homes, and we are now standing at 2.55 million. That is a huge number of households in fuel poverty, and it is going in the wrong direction. We also know that, under current policies, the Government, again according to the Committee on Fuel Poverty, are not on course to meet the energy efficiency milestones you have set out, including the statutory target for 2030. In fact, the IPPR has said it is not going to be achieved until 2091. Do you accept these figures? If so, what is your strategy to meet these targets?

Claire Perry: I have a couple of things to say about fuel poverty. I meet the committee very regularly. By the way, apologies for missing the hydrogen APPG yesterday. I am so sorry. I meet the Committee on Fuel Poverty regularly, and I want to pay tribute to its work. It is a dedicated group of volunteers, essentially, who really help us.

I have been very struck by the fuel poverty numbers. The problem with the fuel poverty definition—and we are not planning to change the definition—is that it is an entirely variable number. Both the numerator and the denominator change, so 30% of the fuel-poor cohort rotate in and out of the definition every year. It makes it very hard to track and target those in fuel poverty. It has always been a problem. The peak of fuel poverty was in 2009, and since then we have seen the average fuel poverty numbers and the fuel poverty gap decline. Indeed, the fuel poverty gap continues to decline.

Q415 **Anna Turley:** Could I just interrupt you on those statistics? You mentioned those statistics last time you were in front of the Committee and you said that the 2009 figure is 11.9%, which is correct. You said at the time it had been reduced; it was now 7% lower, which from our figures I understand is not so. The latest 2016 figure was 11.1%, so it has actually only declined by 0.8%, which is not a very big, impressive cut.

Claire Perry: Sorry, I was probably just calculating the relative percentage decline rather than the absolute percentage decline for that, so I apologise.

Anna Turley: But 0.8% absolute is not very impressive.

Claire Perry: I think we agree that these are not going in the right direction, and we have a manifesto commitment to end fuel poverty. The definitional challenge is particularly difficult, because it is really hard to target both a family income and a home at the same time.

What I have proposed to do with ECO, which is what lies behind my position, rather than trying to chase down this cohort, is, first, to make sure we joined up HMRC data as much as possible so we could try to target better, but also to focus all of ECO on fuel-poor homes wherever we could. I have also been trying to focus on the poorest housing stock, both in the social rented and in the private rented sector, on the assumption that those will tend to be occupied by those who are have a lower income, so at some point they will pick up a fuel-poor person, whether or not it is exactly the perfect definition.

We have made the changes to ECO. Ben, do you want to jump in with the other policy areas while I am scanning this?

Ben Golding: While you are scanning, could I briefly come in on the numbers? It is 11.1%; that is absolutely right. It is worth just dwelling on the fuel poverty target. The way the metric is done is a relative measure. The proportion of people in households of fuel poverty does not really change that much over time. It is worth pulling out that the fuel poverty gap, which is the measure we use of the extra amount people in fuel poverty would need to spend in order to lift themselves above that line, has fallen over time. In 2016, that was £326, which was a 4.4% decrease in real terms from 2015, so there is an impact we have made.

I entirely accept that there is a lot more to do, particularly for the 2030 band C milestone. I think we have now lifted over 90% of fuel-poor households above the 2020 interim milestone towards the target, so progress is being made. I would not want to lose that. The Minister is right to draw attention to what we are doing in the private rented sector. If you look at the worst homes that are hit by the regulations that came in last year, around 42% of the properties that are caught by that regulation are likely to be in fuel poverty, so I think we are targeting the right places. There is absolutely more to do.

Claire Perry: The other thing I wanted to say, Ms Turley, is that I was very keen that the supplier obligation for both ECO and affordable homes should not be a barrier, so we have dropped the supplier obligation. I think we are now down to 200,000 customers, and that will continue to go lower. We want to make sure people can access those measures.

Q416 **Anna Turley:** In a moment I am going to come on to a bit more about the targeting of these policies, but I would like to keep it on the high-level issues, in terms of the Government's financial commitment. We have already heard here about the comparator with devolved Administrations. Under the confirmed policy we have at the moment, again, the Committee on Fuel Poverty has said the funding gap it identified was £15.1 billion to achieve these interim milestones and the 2030 target. I understand that obviously we have had the clean growth strategy, and that will have an impact on it, but the shortfall remains at £8.9 billion. What are you intending to do to bridge this huge gap in the funding commitment that is needed to hit these targets?

Claire Perry: I guess there is a question as to whether regulation is going to be required at some point in the future, so whether we are actually mandating, as we have done, landlords in the private rented sectors to go further and whether we are encouraging housing associations to do more. We understand this. It is a huge commitment for the Government. Clearly, there are difficulties, as you know, about targeting. To me, the solution is not just more money going on consumer bills. It is a targeted solution where you can, potentially looking at other regulatory measures to try to improve the process.

Q417 **Anna Turley:** We will come on to targeting. I think most of us would agree it is quite clear that there is a huge funding shortfall in this. Do you think there is a tension at the moment between delivering low-cost homes and helping those in need? From what we have seen so far, the low-cost focus of ECO3 has meant that suppliers have tended to choose homes where installations are cheaper, rather than homes where they are most needed and those in the most fuel poverty. Is that what you mean when you talk about improving targeting?

Claire Perry: Yes. There are two main issues with ECO: it was poorly targeted, and it tended to focus on known technologies. In fact, it was very difficult to have an innovative technology scored as appropriate for use in ECO. I know from my own experiences that it is really poorly targeted. My hypothesis is that those who are most likely to need ECO measures are probably least likely to take up the offer of a flyer through the door.

We have been trying to target it and do two things. One was to raise the innovation level and the second was to give more leverage for local authorities, who will often understand where their most fuel-poor homes are, to bid into the fund. I am trying to remember the variations now. Do you remember what we actually upped it to?

Ben Golding: We uplifted what we call the local authority flex element of the scheme, so 25% can be done through that route. That helps with that targeting. You are right: there is an inherent tension. The more you try to focus on the fuel poor, the more difficult and costly it is to find them. That is why it really helps to have focused the scheme entirely on the fuel poor. The incentive is still to find the most cost effective homes within the fuel-poor cohort, but it is within the cohort.

Claire Perry: We raised the innovation funding to 20%.

Ben Golding: We introduced an entirely new element, which is innovation. That is intended to allow new measures into the scheme beyond the somewhat restricted list that was there before—the likes of smart heating controls, for instance, which can have quite a big impact.

Claire Perry: For example, to pick a brand name, Nest smart thermostats, which are an incredible adjunct to home energy efficiency, were not funded under the scheme and could not score. I cannot remember whether we maintained or increased the focus on rural poverty, because one of my particular concerns from my constituency is the level of people in rural areas who live in fuel poverty.

Ben Golding: We increased it to a minimum of 15%.

Claire Perry: We tried to help the process of targeting.

Q418 **Chair:** Can I just ask something? When an energy company gives an energy bill discount to somebody who is struggling with their energy bills, does that count towards meeting the statutory energy efficiency fuel poverty targets?

Ben Golding: Assuming you are referring to the warm home discount, yes, it does under the fuel poverty metric.

Q419 **Chair:** Where somebody is in fuel poverty and they get a discount from their energy company on the bill, they will help you meet your target on energy efficiency fuel poverty, although it has done nothing to improve energy efficiency.

Ben Golding: It will help with the target but it is obviously not the long-term way of meeting the band C metric by 2030, because you would have to keep—

Q420 **Chair:** It is not even a short-term way of meeting the—

Ben Golding: Energy efficiency, no.

Chair: No. It is not a short-term way of meeting the EPC C target, is it?

Claire Perry: Remember, warm home discounts are not targeted by fuel poverty. Pension credits tend to be the great driver of warm home discount funding.

Q421 **Chair:** Yes, but it seems a little counterintuitive that, by giving somebody a discount on their bill, that will count towards an energy efficiency target.

Claire Perry: You are right. We have conflated energy efficiency and fuel poverty measures historically through these two schemes. The point you make is also true because ECO, historically, was focused on energy efficiency but not fuel poverty.

Q422 **Chair:** What contribution will the warm home discount make towards meeting the 2020 fuel poverty milestone and the 2030 target?

Ben Golding: We may have to come back to you.

Claire Perry: Can we write to the Committee?

Chair: Yes, could you write to me with that detail?

Q423 **Anna Turley:** My final question was on another issue that has been identified around ECO. Often a lot of recipients are having to contribute for installation costs and through regressive payment schemes in their energy bills. Is this something you are monitoring? What can you do to tackle this?

Ben Golding: It is something we are monitoring. We work with Ofgem, which monitors the delivery of the ECO scheme. There are a whole range of delivery issues, as you might expect, on all of which we work very closely with Ofgem to do technical monitoring and ensure ECO delivery meets the rules.

Q424 **Anna Turley:** Does the policy need changing, therefore?

Claire Perry: Do you think it is not working?

Ben Golding: I do not think it is not working. It is, but there are always issues around the edges where the scheme could be improved and tightened, so we keep a close eye on it.

Q425 **Chair:** Can I pick up on how you know whether work done on a home is of a high enough quality? Can you confirm that the intent of the Government to only allow ECO funds to be spent through the new TrustMark quality is coming in, as recommended by the Each Home Counts review, so consumers are properly protected?

Ben Golding: That absolutely remains the intention.

Q426 **Chair:** When will that come in?

Ben Golding: Hopefully, that will be later this year. It requires a change to legislation to do it.

Q427 **Chair:** You say hopefully it will come in this year.

Claire Perry: We can commit that it will, subject to the legislative timetable.

Q428 **Chair:** Sorry, let us be a little clearer about that.

Claire Perry: My intention is to legislate for that change.

Q429 **Chair:** When?

Claire Perry: This year. We can firm up that target.

Q430 **Chair:** Do you have a legislative slot, Minister?

Claire Perry: I do not know.

Ben Golding: I do not think we have a formal slot, but it is secondary legislation, so it should be—

Claire Perry: We can take that away. I do not think there is a challenge doing this. Having gone through a number of adjournment debates now and seen that many homeowners have not received high-quality service, I think that review was excellent. We have accepted the recommendations and we take the Committee's steer that we should be implementing them as quickly as possible.

Q431 **Chair:** There were 27 recommendations in that report. In its written submission to us, SSE stated, "We are concerned that now two years after the publication of the review, the impetus to deliver the recommendations has stalled and so far there has been little progress to improve consumer protection". They go on to say, "Currently the energy efficiency industry is being left on its own to decide a way to implement the recommendations. We do not believe that this approach will ever result in a robust regime for ensuring high quality". Two years after this report was written for you by Dr Peter Bonfield, we still do not have a legislative slot to ensure this problem is resolved, and key members of the industry are saying they do not believe industry can do this without that leadership and legislation from Government. Why, two years after the report, do we still not have the quality TrustMark implemented?

Claire Perry: I do not accept that diagnosis. Of the 27 recommendations, 18 have already been completed or are near completion, not requiring legislation. I cannot answer as to why a legislative slot has not been found. You will know better than most, Chair, that it has been difficult to get legislation. We have been consumed with all sorts of other legislation.

Q432 **Chair:** I would not accept that, Minister. We spend some time on Brexit and we spend many weeks doing very little at all. I do not think there is a problem in bringing forward legislation, if the will of Government is there. You have had two years to bring this forward. I think there is cross-party support for it and we would like to have greater clarity from you, Minister, on when this will finally be implemented.

Claire Perry: I will take that away and discuss it with the PBL Committee and others. Of course, it is secondary legislation, so it is simply a slot.

I was going to go on to say that some of the recommendations are not within the BEIS gift. They are cross-Government. For example, one of the challenges is skills and training. We know one of the huge gaps in this whole industry is who recommends the installers of heating systems or energy efficiency measures. How do we upgrade those skills? That is not something where you can simply flip a switch and have an army of well-trained people.

I do not accept SSE's diagnosis of this. It is disappointing to hear that. We take the Committee's steer about needing to do Government's bit in this, but for too long we had suppliers knowingly contracting with poor-quality installers and then refusing to go back and honour the commitments made.

Chair: Absolutely, Minister.

Claire Perry: We have to make sure everybody plays their part.

Q433 **Chair:** Are you concerned that poor-quality and unsafe insulation measures are still taking place, given that the quality TrustMark is still not in place?

Claire Perry: I do not believe that is happening.

Q434 **Chair:** Is the quality TrustMark not supposed to be the thing that ensures this does not happen? How can you have any certainty that it is not still happening, Minister?

Claire Perry: We believe that, in this sector, it is absolutely right that the suppliers are playing their part in responsible contracting. They should not have to rely on legislation to ensure that the work people are doing on their behalf, paid for by their accounts departments, is safe.

Ben Golding: TrustMark is intended to be the gold standard here. That is why we have worked very closely with the industry to get to this point, to restructure TrustMark itself, to work with the British Standards Institute on technical standards. In the meantime, it is worth saying that technical monitoring is done on measures installed under ECO through Ofgem. There is monitoring in place to ensure those are of an adequate standard. There remain concerns about some poor practice in the wider industry, which is why the TrustMark and having that quality mark available across the board is really important.

Q435 **Chair:** It is really important. I could not agree with you more, Ben Golding, which is why it is very disappointing that, two years after the recommendation, it has still not been implemented. Once it is implemented, can you confirm that suppliers that do not meet the TrustMark requirements will not be able to receive ECO funding?

Ben Golding: Yes, the intention is absolutely that it will be a requirement of ECO that installers must be TrustMark accredited.

Q436 **Chair:** Okay. Could you could get back to us about when a legislative slot is going to be available and when all 27 recommendations of the report—you have said, Minister, that it was a very good report—will be implemented?

Claire Perry: Yes, of course.

Q437 **Mark Pawsey:** Minister, you have already spoken about the challenges facing the private rented sector. I want to focus on those. We know it is a growing sector. It makes up 20% of all households currently—4.5 million households—and is predicted to increase. We know that 35% of fuel-poor households are in the private rented sector, so we have real challenges in how to deal with it. It also makes up a large proportion of the older housing stock.

The way to motivate landlords to improve is different from that for owner occupiers. Most of us here are owner occupiers. We know that if we make the capital investment in fuel efficiency measures, we will benefit from the reduction in bills. That is not the case in respect of a landlord. He does not get a higher rent by virtue of the fact that he has invested in some energy efficiency measures.

We have some regulations. We have the minimum energy efficiency standards, and that is a great example of a regulation without any enforcement powers behind it. There are enforcement powers, I think, with local authorities, but we understand there have been no penalty notices issued. How are we going to make the MEES regulations more effective?

Claire Perry: To answer in reverse order, you are absolutely right to focus on enforcement and we are funding a series of studies in Bristol, Oxford, Eden, Cornwall, Newcastle, Liverpool, Cambridge and Peterborough to understand what good enforcement looks like. We want this policy to be really effective because, as you rightly point out, Mr Pawsey, this is a growing sector. It often has much of the poor quality. It is not all landlords. Some homes are highly energy efficient, but we know that about 290,000 domestic properties will have to take action under this particular piece of legislation. We understand that there is continued pressure to strengthen and improve. We continue to look at and take responses on that, because it may mean we have to go further.

I also want to make the point, which I know you know, that there is often a caricature of a landlord being some sort of slum landlord with 100 properties. Often the landlord, or landlady, is a person with one or two properties for whom it is a pension fund investment. This was an area where the regulation was quite proportionate. We came in, and there were suggestions that it was going to be very difficult. It was not difficult; it was the right thing to do. We have to make sure it is enforced.

I just wanted to very slightly take issue with you because, if you are letting to a tenant who is having to spend less of their income on fuel bills, there is evidence that that tenant is a better tenant. They are less likely to default on their property. There is economic value in improving these properties.

Would it not be nice if, when you are looking at renting a property, along with what the flat or house costs to rent, up comes what it costs to run? I have written to estate agents who run these aggregation sites saying, "How can we get you to put up an average running cost?", because the rental price of moving into a E banded property versus an A banded property will be hugely different in terms of the weekly running cost. I want there to be as much disclosure as possible. That is an easy calculation. That is just EPC times square footage. Again, there could be a lot more signalling of how different these properties are, so there is some consumer choice in the market as well.

Q438 **Mark Pawsey:** I think we would all agree that that would be highly desirable, but the evidence we took, certainly on owner occupiers, was that things like access to schools, roads and other facilities were much higher on their list of priorities. There is an awareness issue to get people more aware of the running cost of the property, whether they are owner occupiers or tenants.

Claire Perry: When we brought the price cap Bill through, we saw that people were really concerned about the cost of their energy, but they do not seem to think about it as much on a monthly basis. One of the challenges is wanting to build many more new homes. We might get on to that. Building homes that are affordable to buy and to run should be a complete no-brainer. In this sector a lot more information, a lot more consumer information—which would be very easy to provide because most of these things are rented and advertised through portals—and reviewing the regulations, particularly on the enforcement side, will help us deliver.

Q439 **Mark Pawsey:** If MEES regulations are the main vehicle for effecting change, one of the problems we have heard is that the £3,500 cost cap is limiting the scope and impact of the MEES regulations. We took some evidence in which people suggested that the cap should rise to £5,000. What is your view on that, Minister?

Claire Perry: I am just looking at my notes. Ben, do you want to answer?

Ben Golding: It is a judgment call as to where that cap is set. The level of £3,500 would allow about half of the homes in scope to be improved up to the minimum standard. Those that cannot get that far to that level have to make improvements up to the cost cap. It is not that, if you cannot do it within the cost cap, you do nothing. Ultimately, it is just a judgment of what is a reasonable burden to put on the landlord.

Q440 **Mark Pawsey:** You would not agree with the evidence we have received, or the representations we have received, that the figure should rise from £3,500 to £5,000.

Claire Perry: We did consult pretty extensively. The original proposal was £1,500, so we consulted pretty extensively and raised the target. Was it £1,500?

Ben Golding: I think it was £2,500.

Claire Perry: It was £2,500, and we raised it to £3,500 after the consultation. We should let it run and make sure we can enforce it, but continue to review it as a dynamic part of the policy.

Q441 **Mark Pawsey:** On the issue of incentives to landlords, we had some evidence that the reintroduction of the landlord's energy saving allowance would be helpful. It would seem to be a reasonable proposition that if, as a landlord, you make the investment, you can offset that investment against the income you receive from your tenant. Why is that not happening?

Claire Perry: We have heard the same evidence and suggestions, and conversations have been had. This is part of an ongoing conversation with the Treasury about tax measures.

Q442 **Mark Pawsey:** You will know as well as I do, Minister, that many landlords are unhappy about the burden being placed on them by our Government in recent years. Would this not be a useful incentive to the landlord to support them in making energy improvements?

Claire Perry: That is a powerful argument to make to the Chancellor ahead of the next financial statement.

Q443 **Mark Pawsey:** Is it one that your Department is making?

Claire Perry: It may or may not have been considered prior to my time. It is not something that we have actively negotiated with Treasury but, importantly, this is an area where it was initially considered difficult to regulate. It is really good that we have got the regulation through. We need to see how this works at this cap level, and see what impact it is delivering.

Q444 **Mark Pawsey:** Again, in respect of investment by Treasury, we have a large number of properties in social housing stock run by local authorities and by housing associations. There is not sufficient incentive right now for them to bring their properties up to EPC band C. In fact, one housing association told us that, if it was to get its properties up to EPC band C by 2030, it would have to increase its annual investment spend by 30%. This stock has been funded by the taxpayer. Is it not a good investment for the tax payer to improve their energy efficiency?

Claire Perry: The point to make about the social housing stock is that it tends to be at a higher energy efficiency level already. I cannot remember the figure of the top of my head.

Ben Golding: Around half is at EPC C or better already.

Claire Perry: It is in better shape, which is good. As I have said, we could use this as an absolute exemplar.

Q445 **Mark Pawsey:** Given that it is Government-funded stock, it should be an exemplar, should it not?

Claire Perry: I agree. We could also use this as a way of tackling, somewhat indirectly, the fuel poverty problem, because the assumption would be that people on lower incomes tended to live in the homes. There are lots of questions around the incentives or blocks for local authorities or social housing associations. I have been discussing this with them and, again, there is a conversation about whether they could access third-party capital, potentially doing a green bond issuance, either individually or collectively. The challenge they have is that it is hard to find a repayment stream, because some of them have told me that, even if they upgrade stock, they cannot increase the rents. Again, there is economic value there. These properties are costing less to occupy, but that value cannot flow back currently to the owner of the properties. There is a really fruitful conversation to be had with the social housing sector about what more could be done and the mechanisms.

Q446 **Mark Pawsey:** Would you include within that conversation the ability to levy a higher rent, as a basic principle, on a more energy-efficient home?

Claire Perry: That is a conversation for associations to have with their tenants. There is a question there. As you say, if the investment is made, who benefits? Tenants benefit from lower energy efficiency. By the way, we have not mentioned yet, and I hope we will, the concomitant health benefits that come from improvement in energy efficiency. From all our constituencies we know that, in terms of asthma, et cetera, there is a real health benefit from doing these. There is an economic principle here. If you are going to make the investment, how can you capture it so some of that investment can be funded by either by taxpayers, consumers or shareholders?

Q447 **Mark Pawsey:** You would argue in favour of some form of annual running cost of the property.

Claire Perry: I would hate to imply that I had any policy solutions yet, but it is a really fruitful area to mine. The housing stock in that sector is good. It could be improved.

Ben Golding: The challenge of how you recover the investment is absolutely a real one. Some of it will need to be between the association and the tenants. Some of it is policy that our colleagues at MHCLG will need to look at for how you do that. One thing we know is that housing associations tend to look at longer investment time horizons than other areas. That is why this is such a potentially interesting place to look at. The Energiesprong approach, which is a model they have used in the Netherlands and has started to be tested in the UK, has been a way of doing quite radical whole-house retrofit, which is paid back over a very long time, to try to get to net zero energy. Looking at those sorts of innovations and approaches, including financial innovation, is quite helpful in that sense.

Q448 **Antoinette Sandbach:** Minister, do you share my disappointment that we do not have someone from the Treasury here? You spoke about the cross-cutting nature of some of the reforms, and a lot of it relates to finance incentives and tax incentives. How strong are your discussions with the Treasury and what is the feedback that you are getting from the Treasury about financial incentives to move the energy efficiency market?

Claire Perry: We tend to talk to the Treasury and MHCLG a lot, because the regulations around new homes will have to be expressed by MHCLG. The Treasury and I worked very well with the launch of the Green Finance Taskforce. We are looking forward to publishing that strategy later this year. Part of that is how you get private capital invested in some of these social problems.

Antoinette Sandbach: I am going to move on to that.

Claire Perry: I am not aware that there is a problem with discussing this with the Treasury, and I would have thought this Committee, which is very good at summoning Ministers, could get any Treasury Minister it wanted to come and give evidence on this point.

Q449 **Chair:** We did ask the Treasury Minister to come and give evidence.

Claire Perry: I am very sorry. That is very disappointing; apologies.

Q450 **Antoinette Sandbach:** You spoke about the Green Finance Taskforce, but there was a report by both the Climate Change Committee and the Green Finance Taskforce that made a number of recommendations. Why are you not implementing or trialling some of those incentives, particularly 0% or low-interest loans and stamp duty signals?

Claire Perry: We have already implemented some of the taskforce's excellent recommendations, and we will be publishing a fuller strategy including other responses shortly. The plan is to do it in the next couple of months.

Q451 **Antoinette Sandbach:** Minister, in your evidence you spoke about how important it was to try to learn from other areas within the UK. In Scotland, owner occupiers and private landlords can receive interest-free loans of up to £38,500 for home energy efficiency performance upgrades. What learning have you done from that scheme and how have your officials looked at the outcomes of that scheme?

Ben Golding: I do not think that scheme has been formally evaluated yet, but we are monitoring it closely. It is an interesting approach. Zero-interest loans are not just done in Scotland but have been trialled in other places. Germany's KfW scheme is an obvious one where that has been done. This is the lesson I would take, looking at both. What has been very successful in Germany is that it has been done not through direct lending by the Government but through work through the banks, because they have the existing relationship with the consumers and the expertise in how to do that. We should be looking at how we work with the financial sector to try to get those low-interest loans, as there may be things Government can do to facilitate that.

Antoinette Sandbach: Speaking of KfW's investment, building owners invested €8.4 billion and it generated €1.6 billion in VAT revenue for the Treasury in terms of the improvements that were done, virtually financing the scheme itself. Why has there been a delay in implementing this, given that there are some very good examples not only in Germany but also in the Netherlands and France?

Claire Perry: You make an excellent point. The only thing I would share from the green deal experience—

Antoinette Sandbach: I am not talking about that.

Claire Perry: It is slightly relevant.

Q452 **Antoinette Sandbach:** The green deal imposed loan rates of 7%. They were well above the market level. It is absolutely no surprise to this Committee that the green deal failed, and the current loan rate of 9.5% by the Green Deal Finance Company is also deeply uncompetitive.

Claire Perry: I am not disagreeing with that. The point I was simply going to make is that one of the other learning experiences from the green deal process—and it would be interesting to see the evaluation—is that, even when it is a no-brainer to invest in energy efficiency measures in your home, whether you can fund it through a loan or whether you have the capital, people still do not do it. There is a huge question as to why. I am not suggesting this as an excuse.

Q453 **Antoinette Sandbach:** Minister, with the greatest respect, the successful schemes in Europe have had a range of interest levels of 0% to 2.7%. I sat on previous inquiries by the Energy and Climate Change Committee that very clearly identified the uncompetitive nature of the green deal. It did not make sense. The loan cost was so high—it was above the then market cost for taking out an ordinary loan—that homeowners were not in any way incentivised to install energy efficiency measures. In fact, they were punished for doing so. That was the lesson from the green deal, apart from the poor standard of insulations and the cowboy installers.

Those two factors together largely contributed towards the failure, but there are clear examples in Scotland and elsewhere in Europe that have been highly successful and have generated huge amounts of improvements. The estimate is that something like 320,000 jobs per year in the building industry have been created. What is preventing your Department from entering those discussions with banks to encourage that kind of innovative approach?

Claire Perry: Those conversations with banks are happening. I want, again, to point out the Barclays green mortgage, which offered a discounted interest rate for a series of measures. One of the fruitful things we need to do is see how that has gone and see what the take-up has been. I entirely accept that free money will have a stimulating effect on people’s measures. Homeowners think about doing these improvements at certain times during their lifecycles; it tends to be when they move in.

Q454 **Antoinette Sandbach:** So why limit it to a mortgage and not provide a full range of options that would allow a far greater take-up? There is a concern that by focusing on the mortgage, you are narrowing the market. You are not offering the appropriate flexibility to owner occupiers and to landlords, which is one of the great advantages of the Scottish scheme and may deal with some of the issues raised by Mark Pawsey.

Claire Perry: We have to have a further conversation with other colleagues across Government. It is not in my gift to make these tax and spending changes.

Q455 **Antoinette Sandbach:** There are very clear benefits. You spoke of health benefits, but the VAT benefits alone—

Claire Perry: The job creation and the economic uplift is huge.

Q456 **Antoinette Sandbach:** You will have my support, Minister, if you combine that with the National Infrastructure Commission priority. You spoke about publishing your response very soon, in terms of the Green Finance Taskforce and building a market for energy efficiency. Stakeholders have given us evidence that the action plan is likely to fall far short of what is required to meet your targets in terms of both investment and policy commitments. Can you reassure them that you will be as ambitious as possible given the finance benefits, the jobs benefits that you have referred to, and the health benefits?

Claire Perry: Yes. I was really proud that we set up the Green Finance Taskforce. We asked them to not give us evidence on a six-monthly basis, but to give us some cracking ideas. We assembled the best and the brightest. They did a great job. Now we need to get the green finance strategy out and see what the gap analysis is after that.

Q457 **Antoinette Sandbach:** Do you know what the timeline is for raising it?

Claire Perry: It is summer. Summer can often not mean summer in politics, so as soon as possible, but in the next few months.

Q458 **Antoinette Sandbach:** What proportion of homes are deemed not cost effective, affordable and practical to get to EPC C, and what standard should those homes be achieving?

Ben Golding: We have not put a firm figure on it. The sorts of figures we were talking about earlier—that capital range of £30 billion to £60 billion--were intended to take that partly into account. You would not do all homes under that, but that would be the vast majority. You are probably talking a relatively small proportion, 10% or so, that just could not get to that level. Some of it would be for technical reasons. Some of it would be heritage properties or you just cannot get to that level. There might be some where you are better off demolishing them. They are low numbers that could not.

Claire Perry: Another thing was very striking to me, and I do not know if the Committee has taken evidence on this. I have talked about innovation, but there has been very little price change. Unlike renewable energy where you have seen prices of solar panels tumbling, there has been very little price change in many of these insulation or energy efficiency technologies. The non-addressable population will decline as the prices become lower, so you would expect it to come in under that number.

Q459 **Antoinette Sandbach:** Mr Golding, you spoke about energy efficiency of heritage homes, for example. There seems to be a blanket ban on installing, for example, energy-efficient windows.

Claire Perry: That is not true.

Q460 **Antoinette Sandbach:** Are you liaising with MHCLG?

Claire Perry: Yes, we are, and with the heritage organisations, because there is a common myth that you cannot do anything if you live in a listed property. It is not true. There are stricter guidelines, but the stakeholders we have talked to have been very clear that they want this to happen and they want to be flexible.

Q461 **Antoinette Sandbach:** My understanding is that it is planning departments in local councils that are not granting permissions where, for example, windows are going to be replaced anyway. They are refusing to permit installation of double-glazed sash windows and requiring energy inefficient windows.

Claire Perry: That seems utterly crazy, and we will take that away and raise it with colleagues in MHCLG.

Q462 **Drew Hendry:** Minister, you mentioned several times the need to work across Government on this. With that in mind, what reforms to energy efficiency standards of new-build properties will you be seeking from the Ministry of Housing, Communities and Local Government for it to implement during the upcoming review of building regulations?

Claire Perry: We have had multiple conversations at both ministerial and official level, because that, as you rightly identified, Mr Hendry, is the delivery vehicle for many of these. Particularly with the new homes building standards, we need to make sure that they are robust but also that they are flexible. I mentioned zero-carbon homes. We do not want to go back there, but focusing on the outcomes in terms of energy efficiency or running costs, with less specificity about what must be done, is far more effective than trying to specify what sorts of technologies will go in. I am trying to think when the part L consultation is coming out.

Ben Golding: The consultation on part L, which is the part of the building regulations that covers energy efficiency, is due by the end of this year. In terms of the ambition we see through that, the future homes standard announcement is your guide there, which has very high standards of energy efficiency and no high-carbon heat.

Q463 **Drew Hendry:** You mention the outcomes you are looking for there. Should developers be required to comply with the latest standards when they start building, rather than those that were in place when planning permission was originally granted?

Ben Golding: This is a longstanding challenge. I do not want to cut across MHCLG policy.

Q464 **Drew Hendry:** I am sorry; I was asking what you were seeking from them.

Claire Perry: This is a really important point. I am fed up with developers saying that they cannot possibly change their specs because it would not be cost effective to look at the latest standards, when they are able to change the supplier of a steel contract overnight for £2 a tonne. I am fed up with people trying to effectively hide behind outdated regulation. We all have an absolute responsibility to build homes that are affordable to buy and run. Developers have received billions of pounds of Government support to support their profits, their margins and their shareholder returns. There is a really big responsibility gap, not among all, but among many. My personal opinion is that we should stop trying to hide behind this. We all know what to do. We could wait for the regulation to catch up in some cases, but the best homebuilders are already going further than the regulation and that should be standard.

Q465 **Drew Hendry:** Given what you have just strongly said there, is it fair to say that you would agree that the latest standards should apply and that is what you will be seeking?

Claire Perry: That is my personal opinion. I have not been running the consultations. It is not my Government Department, but that is the representation I have made to my Ministers.

Q466 **Drew Hendry:** That is what you will be seeking from them.

Claire Perry: That is the representation I have made to the Housing Minister, who is responsible.

Q467 **Drew Hendry:** To follow on from that, if developers continue to build to the regulations that were in place when permission was granted, what is your calculation of how long it would be until we see homes built to standard that you are proposing?

Claire Perry: I have not made that calculation. I am sorry.

Q468 **Drew Hendry:** Would it not be a useful calculation to make?

Claire Perry: Government ought to be sending a strong message that an industry that is crucially important and is receiving billions of pounds of Government subsidy should be doing everything it can to build homes to the highest possible standards. We should not be tied up for years trying to do regulation in order for that to happen.

Q469 **Drew Hendry:** The reality is, as Persimmon has told us, that some 60% of the homes that it sold in 2018 were built to pre-2013 standards.

Claire Perry: I do not think that is good enough.

Q470 **Drew Hendry:** So you will be seeking that. Barratt and Persimmon have both told us that they would be happy to test their as-built performance if building regulations required it. Is it your view then—I think it is—that there is no reason why that should not be a requirement now?

Claire Perry: Yes, but, again, I want to emphasise that I am not the responsible Minister. I have made these representations in exactly the same language, and strongly, both to Cabinet sub-committees and to investors.

Drew Hendry: You have firmly pinned your colours to that mast.

Claire Perry: Yes.

Q471 **Vernon Coaker:** In answer to Mr Hendry there, you said that the system needs a bit of a shake-up in some respects.

Claire Perry: I went off on one; I think that is the polite term.

Q472 **Vernon Coaker:** Is that not what it needs, a bit? Is that not part of the debate yesterday and what we have been trying to say to you this morning? In the answer to Mr Hendry, that was the sort of thing you were saying. Similarly, if you look at non-residential properties—commercial properties—we were told by the CBI, for example, that most businesses were not aware of the target of a 20% reduction in business energy use by 2030.

Claire Perry: You have correctly identified something, and we have had various conversations with landlords and tenants. There are even more barriers to energy efficiency improvements in the non-domestic sector than there are in the domestic sector. Partly it is often because energy is priced in as a service. There is opacity over who the landlord is. We are going to launch a consultation—is that going to be our consultation?

Ben Golding: Yes, absolutely.

Claire Perry: We are going to launch a consultation on how we would tighten standards. Do you know when we are going to do that?

Ben Golding: Very shortly. The intention is to do it as soon as possible. It is particularly important here because, unlike the domestic sector, around 60% of the sector is rented accommodation.

Claire Perry: The improvements are happening, and the lowest level is declining. From an emissions point of view, this is a huge untapped area. We have found it very difficult to come up with policies. No one has really tried to get into this sector. We know that business and industrial emissions are the largest category of emissions now.

Q473 **Vernon Coaker:** You see what we are saying. You are the Minister of the Crown. Regulate them. For example, the Green Finance Taskforce says all commercial buildings should be in band B by 2035. Change the law and make them do it.

Claire Perry: We will ask that question in the consultation, among others.

Q474 **Vernon Coaker:** That is the point, is it not? That is where the frustration comes from, is it not? You are the Minister of the Crown. There is a real problem in the commercial sector with emissions. You recognise that with what you said to Mr Hendry about residential properties and in the answers to others. If they are not going to do it, and they are not even aware of it, regulate them.

Claire Perry: I do not know what the answer is in this case. We need to find out.

Q475 **Vernon Coaker:** Will you come back to us, then, and say whether you support that?

Claire Perry: We will launch the consultation and get evidence. I do not want to be in the business of banning or regulating everything. We know from experience that that is the way that you drive out innovation and market responses, which can deliver as we have seen in renewable energy, for example. You make a fair point. Successive Governments have done nothing in this area. We have realised it is a huge problem, and it is now one we need to go after.

Ben Golding: Can I pick up on a couple of things, to add to what the Minister said? On the question of regulation, absolutely, we will be consulting shortly. I should say we are doing that under existing primary powers so we can already regulate to set minimum standards and, indeed, we have done for the rental portion of the non-domestic sector. We have also done a couple of other things. There was the announcement at the Budget last year of the Industrial Energy Transformation Fund. That is £315 million, which will help, among other things, with energy efficiency in this space. We have also announced that we will be bringing forward a new energy efficiency scheme targeting small and medium-sized enterprises. This area is ripe with opportunity and we have estimated that, if we meet our 20% ambition by 2030, that could save businesses around £6 billion a year.

Claire Perry: Could I come in on the role of the public sector? One of the things we have realised is that the central Government and wider Government estate can be a real driver of improvement in this sector. There are things like the NABERS project in Melbourne, where the Government said, "We will only occupy buildings with the highest energy efficiency". Most commercial buildings are not factories; they are serviced offices. We have raised our ambition for the public sector. We are encouraging local authorities to access the Salix Finance scheme to do their own improvements. The power of the public sector as a procurer is really important in this space, but we know we need to do more.

Q476 **Vernon Coaker:** I entirely accept that, but we meet this in a lot of areas. In the end, if they will not do it, regulate them. Here is another one: the

MEES regulations, which, I must admit, being fair to everyone else, I had never heard of. The minimum energy efficiency standard does not apply beyond rented properties at the moment. Why not extend that to all commercial properties?

Ben Golding: The technocratic answer would be that we do not currently have the legal power to do that—

Q477 **Vernon Coaker:** That is the problem. I do not want a technocratic answer. We have a problem. The market is not delivering on it, and we are not sure it will do, so regulate.

Claire Perry: As I said to Mr Pawsey, the enforcement studies that we are funding to work out the best way to enforce the current powers are important. I want to make a plea for market forces in this case. It is even more powerful for a business to save money off its bottom line from demanding energy efficiency.

Q478 **Vernon Coaker:** We all agree with that.

Claire Perry: So why is it not happening?

Q479 **Vernon Coaker:** Nobody disagrees with that. That is the point I am making. If the market does it, fine, but it is not.

Claire Perry: There are some real market structural challenges that we need to try to understand as well. From talking to many SMEs—mostly these are SMEs occupying small premises—my understanding is that they are just too damned busy. They say, "We know we should do energy efficiency, but we are too damned busy. Even if it saves us £10,000 a year, this is something that is well below dealing with Brexit, getting our customs forms" or whatever it is. There is a huge opportunity there. This is why I referenced the power of the public sector.

Q480 **Vernon Coaker:** Here is another one. At the moment, one of the problems is that the emissions are done on design ratings rather than on what happens when the building is built, so an operational standard. Why not change that?

Ben Golding: That is something that MHCLG—

Q481 **Vernon Coaker:** You are looking at that.

Ben Golding: Yes, we are, and MHCLG is. We have research on the way to look at things. There are opportunities here from things like smart meters, where you have real-life, real-time data that you can use to look at how this is operating in practice.

Claire Perry: An EPC certificate is only based on installed measures. To Ben's point about smart meters, it is about getting that real-time data. There is, increasingly, a market. There are a number of business services providers that want to provide heating and power as a service with very dynamic feedback, so businesses do not have to worry: "Christ, I need to install a smart meter and change suppliers." They can just outsource it. That would be very welcome.

Q482 **Vernon Coaker:** To clarify, I was not sure if I misheard something. Has the green finance strategy been published?

Claire Perry: It will be published later this summer.

Q483 **Vernon Coaker:** What does that actually mean?

Claire Perry: It is a fuller response to the Green Finance Taskforce report. We have implemented some measures, as I have said. We know there are others we would like to do. It is a full response between Treasury and BEIS, setting out how we are going to take this strategy forward.

Chair: Thank you very much, Minister and Ben Golding, for coming to give evidence to us this morning.