



House of Commons  
Environmental Audit Committee

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**Energy efficiency  
of existing homes:  
Government Response  
to the Committee's  
Fourth Report of  
Session 2019–21**

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**First Special Report of  
Session 2021–22**

*Ordered by the House of Commons  
to be printed 12 May 2021*

## Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

### Current membership

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[Duncan Baker MP](#) (*Conservative, North Norfolk*)

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The following Members were also members of the Committee during this Parliament:

[Feryal Clark MP](#) (*Labour, Enfield North*), [Marco Longhi MP](#) (*Conservative, Dudley North*), [Kerry McCarthy MP](#) (*Labour, Bristol East*), [Alex Sobel MP](#) (*Leeds, North West*), and [Mr Shailesh Vara MP](#) (*Conservative, North West Cambridgeshire*).

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### **Committee staff**

Martyn Atkins (Clerk), Medha Bhasin (Second Clerk), Amy Brew (Committee Specialist), James Camp (Committee Operations Officer), Nick Davies (Senior Committee Specialist), Laura Grant (Committee Specialist), Ben Smith (Committee Support Apprentice), and Jonathan Wright (Committee Operations Manager).

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# First Special Report

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The Environmental Audit Committee published its Fourth Report of Session 2019–21, [Energy efficiency of existing homes](#) (HC 346) on 22nd March 2021. The Government response was received on 30th April 2021, during the prorogation of Parliament, and is appended below.

On Saturday 27th March the Secretary of State for Business, Energy and Industrial Strategy wrote to the Chair of the Committee to inform him that the Green Homes Grant voucher scheme would close to new applications on 31st March. The Chair responded on 19th April and received a response from the Minister for Climate Change and Corporate Responsibility, Lord Callanan, on 30th April. That correspondence is also appended to this report.

## Appendix 1: Government Response

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### Introduction

The Government is very grateful to the Environmental Audit Committee (the Committee) for its report on improving the energy efficiency of the UK's homes. Meeting our carbon goals will require the vast majority of the UK's 27 million homes and 2 million non-domestic buildings to be virtually zero carbon by 2050, through a combination of energy efficiency, smart technologies, and moving to low carbon heat.

We already have a range of policies and programmes to support this transition. Our approach, recognising remaining technology uncertainty, is to focus on what we do know, and to take action now rather than delay while we address remaining uncertainties. We want all homes, so far as possible, to reach EPC C or above, with EPC B or better for non-domestic buildings, by around 2030 and to be deploying around 600,000 heat pumps per year by 2028. We have set out a number of key public commitments, including through the Energy White Paper and the Prime Minister's 10 Point Plan for a Green Industrial Revolution.

The Committee has rightly signposted the need for long-term certainty for the energy efficiency industry if we are to be successful in decarbonising our building stock. Some of this is of course about certainty of funding. In that context, we have made an excellent start as a result of the funding being invested through the other schemes that were launched alongside the Green Homes Grant, including the Social Housing Decarbonisation Fund and the Public Sector Decarbonisation Scheme. We have also recently committed to increasing the Energy Company Obligation to £1 billion per year from 2022. We agree that we need to look further ahead, for instance through the commitments made as part of the 2019 Conservative Manifesto. This included £2.5 billion for Home Upgrade Grants to upgrade some of the worst homes in England, and a £3.8 billion Social Housing Decarbonisation Fund over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The Government is planning to publish a Heat and Buildings Strategy shortly, which will set out the approach we will take, both in terms of action over the coming decade and our longer-term strategic approach to 2050, for reducing emissions from buildings. These actions include the deployment of energy

efficiency measures, smart technologies, and low carbon heating as part of an ambitious programme of work required to enable key strategic decisions on how we achieve the mass transition to low-carbon heat and set us on a path to decarbonising all homes and buildings.

## Environmental Audit Committee recommendations

**Recommendation 1: The scale of the challenge to retrofit existing homes to tackle the climate crisis is enormous. Energy efficiency is a precursor to the transition to low carbon heat, so action must be taken in the 2020s to set homes on a decarbonisation trajectory to meet our net zero targets. The Government's current targets for domestic energy efficiency are set for an 80 per cent reduction in emissions by 2050 and not the net zero target established in law. Yet the Government is not on track to meet even this.** (Paragraph 29)

The Government remains committed to the aspiration set out in the Clean Growth Strategy, that as many homes as possible are improved to Energy Performance Certificate (EPC) band C by 2035, where practical, affordable and cost effective. We believe this represents a cost-effective step towards our net zero goal, helping to prepare homes for low carbon heat. Our comprehensive approach seeks to encourage as much action as possible in the 2020s by:

- (1) Introducing minimum standards across tenures to encourage action around key trigger points, taking a 'fabric first' approach. We have:
  - a) Consulted on raising minimum standards to EPC Band C for Private Rented Sector homes by 2028 for all tenancies;
  - b) Committed to review the Decent Homes Standard for social housing, taking account of energy efficiency and decarbonisation of social homes;
  - c) Committed to consult on regulatory options for improving the energy performance of owner occupied homes in 2021.
- (2) Providing targeted funding and support to those that need it most, including the fuel poor and most vulnerable. We have committed to:
  - a) Introducing a Homes Upgrade Grant in line with the manifesto commitment, including £150 million allocated in the 2020 Spending Review
  - b) £500 million for the Green Homes Grant Local Authority Delivery element in 2020- 21, with £320 million for the Green Homes Grant voucher scheme in the 2020 Spending Review
  - c) Investing further in the Social Housing Decarbonisation Fund in line with the manifesto commitment, with a further £60 million in 2021–22
  - d) £300 million additional funding for the Local Authority Delivery and Social Housing Decarbonisation Fund schemes in 2021–22, with delivery continuing to March 2023 following closure of the Green Homes Grant voucher scheme

- e) An expanded ECO worth £4bn from April 2022 to March 2026
  - f) £100m for the Clean Heat Grant to support the deployment of heat pumps, and in limited circumstances biomass boilers from 2022 to 2024.
- (3) Getting market enabling measures in place to support action by homeowners and occupants, for example:
- a) Providing tailored advice and information for homeowners and consumers to support action. For example, our digitally led service—Simple Energy Advice—has helped around 1.5 million users to date.
  - b) Catalysing the green home finance market, including consulting on the role of mortgage lenders in supporting homeowners improve the energy performance of their homes, and supporting innovation in green home finance products.
  - c) Working with industry to get the right quality standards and consumer redress in place working with industry.
  - d) Continuing to improve home energy measurement and performance through improvements to SAP and funding the development of actual performance ratings (SMETERS)

By 2050, to meet our net zero target at least cost, the vast majority of homes will need to reach a higher level of energy performance. We have sought views in recent consultations on further strengthening of minimum energy performance standards to support our Carbon Budget 6 and net zero targets.

It is important to note that each home is different, and the right mix of energy efficiency measures, smart technologies, and low carbon heating for an older rural property will not be the same as those for an urban low-rise 1950s flat. There will also be some properties that cannot reach this level of performance, due to practical, affordability or cost effectiveness constraints, and appropriate safeguards and protections will be required.

**2. There is a wide variation in the costs for bringing all homes in the UK up to an EPC grade C. We have heard of costs averaging £18,000 to retrofit a property, before addition of a heat pump. Given that there are around 19 million properties in the UK in need of some energy efficiency upgrade, we consider that the overall cost to meet net zero from domestic buildings could be far more costly than the Government's estimate of between £35 billion and £65 billion.** (Paragraph 30)

The Government's estimate of between £35–£65bn is focussed solely on our aspiration for as many homes as possible to reach EPC C, where practical, affordable and cost effective. Although it is possible to spend more than this to install energy performance improvements across the housing stock (which could explain estimates of £18,000 per property), this would likely exceed expectations of practical, affordable and cost effective. The £35–65bn estimate does not account for fully decarbonising homes as well as non-domestic buildings which would cost significantly more.

External estimates by the CCC as part of their 6th Carbon Budget advice suggest total investment costs of £360bn to 2050, of which around £250bn are associated with upgrading

homes, and £110bn in public and commercial buildings. Total investment in efficiency improvements in existing homes is around £45bn in this scenario to 2035, with a total spend of £55bn by 2050.

**3. We recommend that the Government review the feasibility of its aspiration to achieve a minimum of EPC band C by 2035, given current progress on improving energy efficiency. As well as setting out how it plans to meet existing targets, it should set out a strategy to increase ambition in line with its commitment to net zero through its Heat and Buildings Strategy.** (Paragraph 31)

As outlined above, the Government remains committed to the ambition set out in the Clean Growth Strategy, that as many homes as possible are improved to Energy Performance Certificate (EPC) band C by 2035, where practical, cost-effective, and affordable.

We believe this still represents good value for money, and we are focussed on introducing a comprehensive range of policies and proposals that deliver it.

The Heat and Buildings Strategy will set out our policies and plans for the 2020s, demonstrating how they work together to ensure we are on track for net zero by the end of the decade.

**4. We recommend that BEIS review its cost projections on energy efficiency and includes the cost of low carbon heating. The Department should consult the building and retrofit sector to ensure that its top-down modelling reflects real-world costs. It should also set out the proportion of efficiency improvements it expects to be paid for from the public purse, and how many homes it considers out of scope for energy efficiency improvements under its definition of “cost effective, practical and affordable”. There is a danger that these homes will be left behind, and this could impact on wellbeing and create permanent blight. The Government should explain in response to this report what its strategy is for those homes that will not achieve its energy efficiency aspirations.** (Paragraph 32)

The cost assumptions used in BEIS are obtained from a range of sources and are always under review. The way these are combined into cost projections depends on the context of the policy/scenario being analysed, including the cost of low carbon heat where appropriate. To fully understand the cost of carbon and energy savings we need accurate estimates of current energy use and savings delivered by installing measures. Extensive work has been undertaken on this, bolstered by the Department’s National Energy Efficiency Data framework (NEED). We will continue to consult with the building and retrofit sector on our analysis.

No homes are considered out of scope as a result of the definition of “cost effective, practical and affordable”. Rather, the measures that might be installed could vary because of particular constraints. For example, it may not be possible to install external solid wall insulation in a conservation area, but thin internal wall insulation or floor insulation could be installed instead.

To meet our carbon goals at least cost will require the vast majority of the UK’s homes and non- domestic buildings to be virtually zero carbon by 2050, through a combination

of energy efficiency, smart technologies, and low carbon heating. The Government is planning to publish a Heat and Buildings Strategy in due course, which will set out the immediate actions we will take for reducing emissions from buildings.

As outlined above, there will be some properties that cannot reach this level of performance due to practical, cost effective, and affordability constraints, and we will ensure our policies are designed to ensure appropriate safeguards, exemptions, and protections in place, including for the fuel poor and most vulnerable.

**5. While the energy efficiency of two million homes has been successfully upgraded under the ECO, the number of measures installed has reduced significantly in recent years and the Government's fuel poverty targets are not expected to be met. The inability to use ECO with other sources of funding is hampering the deeper retrofits that are needed in social housing. Since ECO is funded by all energy bill payers, the poorest pay proportionally the most for the benefits from the scheme: this makes it a regressive policy.** (Paragraph 41)

The Government recognises that households on the lowest incomes are unable to fund the installation of energy efficiency measures and keep their homes warm and comfortable. ECO3 focusses support completely on low income and vulnerable households. Since ECO began, around 3.1million measures have been installed in 2.2million homes, up to the end of February 2021.

Through a four-year, £4 billion scheme, we are accelerating our efforts to improve homes to meet fuel poverty targets, including the interim fuel poverty milestone of EPC D by 2025. We intend to design the scheme to complement other government funding, including low-income households in social housing.

The Warm Home Discount helps offset policy costs on energy bills by providing a direct rebate to low income and vulnerable households. We are expanding the scheme from 2022 so that it will provide help to around 3 million households across Great Britain.

Deeper multi-measure retrofit is required to improve the least energy efficient homes, and we agree that a single home could be upgraded using multiple funding, but to ensure support reaches as many eligible households as possible, blending multiple funding for the same measures could risk duplication of funding and limit support to more low-income households. In the case of ground source heat pumps, this can be an eligible ECO measure even if the Renewable Heat Incentive (RHI) is received, because of the higher up-front cost and long-term benefits of ground source heat pumps (the longevity of the ground loops).

The Social Housing Decarbonisation Fund (SHDF) will upgrade a significant amount of the social housing stock currently below EPC C up to that standard, delivering warmer and more energy- efficient homes, reducing carbon emissions and bills, and tackling fuel poverty as well as supporting green jobs. BEIS is currently developing the design guidance for the SHDF and during this development, a wide range of possibilities will be examined to ensure its successful delivery.

**6. We support the extension of ECO to 2026 and the extra funding announced in the Fuel Poverty Strategy. The Government must review whether ECO is still delivering**

**value for money and whether the energy bill is the most appropriate, fair and effective means of funding the scheme, since the poorest households pay disproportionately towards its costs. (Paragraph 42)**

Over more than 25 years, supplier obligations have proven to successfully deliver energy efficiency upgrades to homes across Great Britain. They have often been complementary to direct Government funding and provided long-term certainty, often across Spending Review periods. Whilst ECO is funded by all bill payers, including low income households, the scheme is fully focused on improving the energy efficiency of low income and vulnerable households. We intend to publish an evaluation report for ECO later this year.

**7. We recommend the Government reviews the way ECO is funded, in common with the other policy costs that are added to consumer electricity bills rather than gas. Disproportionate use of this regressive funding mechanism is hampering the adoption of low carbon heating options such as heat pumps. We recommend that the Government consults on the balance of levies on electricity versus gas/other fossil fuel heating sources, in order to encourage the uptake of electrifying home heating through the adoption of heat pumps. (Paragraph 43)**

The Government is keen to ensure that households and businesses are aware that all energy users are fairly sharing in the benefits and costs of the UK's transition to Net Zero. Ensuring costs of the transition are allocated fairly is a priority and a dialogue will begin on this between Government, consumers and industry by publishing a call for evidence on affordability and fairness.

Through this dialogue, we will work with consumers and industry across the sector to identify existing distortions in the system and gain insights into the trade-offs involved in the distribution of energy costs. This will help us to develop proposals on how energy costs can be allocated in a way which is fair and incentivises cost-effective decarbonisation.

As set out in the Energy White Paper current price signals present a barrier to uptake of key technologies, such as heat pumps. This includes how the costs of decarbonising energy are apportioned between gas and electricity bills. Government will shortly publish a call for evidence to begin a strategic dialogue between government, consumers and industry on affordability and fairness and set out further details through HMT's Net Zero Review.

**8. We welcome the clarification provided in the Energy White Paper that Home Upgrade Grants will focus on the worst-quality off-gas grid homes with low income households in England. We consider that this focus is the right one. Using the indicative costs for improving energy efficiency and heat pump installation and the Government's pledged £2.5bn, we estimate around 100,000 homes may benefit from the scheme. This is welcome, but represents a fraction of the 1.5 million households off the gas grid who will need further support to upgrade their homes, irrespective of tenure in view of the high costs involved. (Paragraph 50)**

The Home Upgrade Grant scheme aims to upgrade the worst performing off gas grid homes (EPC D- G) that are inhabited by low-income households, providing both energy efficiency measures and low carbon heating. According to the latest fuel poverty statistics around 542,000 off gas grid D-G homes are measured as living in fuel poverty, including 132,000 in the worst-performing homes, those rated F and G. The Home Upgrade Grant seeks to prioritise those homes first, tackling fuel poverty and ensuring that the most

vulnerable households in the worst performing homes are not left behind in the transition to net zero. £150m has already been committed to the Home Upgrade Grant to commence delivery in early 2022. Further funding is subject to future fiscal events.

The Home Upgrade Grant is part of a wide package of support available to upgrade and decarbonise homes. Off-gas grid homes are eligible under the Energy Company Obligation, the next iteration of which will run from 2022 to 2026 with an increase in value from £640m to £1bn per year. For off-grid homes in the rental sector the planned Social Housing Decarbonisation Fund and proposed regulations in the private rented sector will play an important role in upgrading the housing stock. The Clean Heat Grant, launching in April 2022, will provide additional support as an incentive for households that are off gas grid to switch to low carbon heating. The £100m scheme, announced at the March 2020 Budget, will provide upfront capital grants for the installation of low carbon heat systems, primarily heat pumps and in limited circumstance biomass boilers.

**9. We recommend that Home Upgrade Grants are launched in full before the end of 2021, backed by the entirety of the funding pledged for the scheme, to mobilise supply chains for low carbon heating. The Government should also set out how it intends to administer the scheme and what role there will be for local authorities who are well placed to identify vulnerable households.** (Paragraph 51)

The recent ‘Sustainable warmth: protecting vulnerable households in England’ strategy committed £150m to the Home Upgrade Grant for upgrading low-income homes with energy efficiency measures and low carbon heating. This £150m allocation is part of the £1bn settlement for buildings announced in the Prime Minister’s 10-point plan for a Green Industrial Revolution. The Home Upgrade Grant will succeed Phase 2 of the Green Homes Grant Local Authority Delivery (GHG:LAD) Scheme which concludes in December 2021, beginning after GHG:LAD Phase 2 ends aiming to ensure continuity of delivery to off gas grid homes (which are in scope for both schemes). Further multi-year funding is subject to future fiscal events, but the allocated £150m acts as an early commitment and signal to the supply chain to allow scale up. Phase 1 of the Home Upgrade Grant will be delivered by Local Authorities, who will bid into a competition for grant funding, and therefore play a central role in the Home Upgrade Grant. Part of the scoring criteria for these bids will be on how Local Authorities aim to identify and verify vulnerable households.

**10. We welcome the Government’s introduction of a scheme for owner occupiers to fund energy efficiency improvements. Such a scheme is essential in order to achieve the ambition to reach energy efficient homes by 2030, given this is by far the largest pool of housing stock across the UK. But the Green Homes Grant has been rushed in conception and poorly implemented. In its haste to create a scheme to deliver economic stimulus, the Government failed to consult industry adequately on its delivery, set a timescale which was overly short term and has presided over scheme administration which appears nothing short of disastrous. If the ambition for the scheme to retrofit 600,000 homes envisaged completion of the work by the end of the current financial year, then the Government has been wildly optimistic in its scheme planning and industry engagement. The impact of its botched implementation has had devastating consequences on many of the builders and installers that can do the work, who have been left in limbo as a result of the orders cancelled and time taken to approve applications.** (Paragraph 69)

The Green Homes Grant voucher scheme, while recognised by many stakeholders as an important initiative, has not been delivering at the rate and scale we had originally hoped. With over 52,000 vouchers issued, worth over £221 million, it has made encouraging progress, but it was important to take stock and consider our approach to upgrading the energy efficiency of homes. After reviewing the efficacy of the Voucher scheme, we decided to close the scheme to new applications from 5pm on 31st March.

The Green Homes Grant Voucher Scheme was designed to provide a short-term economic stimulus while tackling our contribution to climate change. It was important to roll out the scheme quickly to help stimulate the economy and protect and create jobs in the green construction sector.

It is standard practice that government departments cannot discuss potential fiscal stimulus measures prior to announcement. We engaged industry representatives extensively at our earliest opportunity, following the Chancellor's 'A Plan for Jobs' announcement on 8 July, prior to formal launch of the scheme.

The Voucher scheme was impacted by several delivery challenges, including performance challenges on the part of the scheme administrator. We are working closely with our partners within industry, as well as the scheme administrator, to address the problems and concerns. Consumers and installers will continue to be supported through the process by the scheme administrator.

**11. It is commendable that the Government has been keen to avoid fraud in administration of the scheme by only allowing Trustmark and PAS registered companies to participate. But the anti- fraud precautions have been so complex that vouchers are simply not being issued. Consumers are frustrated by delays in delivery, and the industry which the scheme was set up to support has been completely failed. Companies are losing orders, laying off staff and have warned they may close altogether. Extraordinarily, rather than providing an economic stimulus for sector recovery, the scheme's operation may have reduced its capacity in the short term. (Paragraph 70)**

Previous energy efficiency schemes have demonstrated how important consumer protection is in energy efficiency schemes. The Green Homes Grant voucher scheme was therefore designed with the highest standards of quality and consumer protection at its core. Using a quality mark to ensure a high minimum standard of consumer protection was a key recommendation of the independent, industry-led Each Home Counts Review. TrustMark has been that government-endorsed quality mark and plays a central role across BEIS' energy efficiency schemes.

We do not consider the anti-fraud protections to be complex. The government has a duty to ensure that government funding is spent appropriately, and we have a zero-tolerance approach to fraud. This necessitated checks on applications and installations to guard against fraud and uphold safety.

We do accept that some vouchers have taken longer to process than we would have liked. Often this is for legitimate reasons, such as applications being submitted without quotes attached, incorrect addresses being supplied, or questions around quotes being significantly higher than expected. Although we have made the decision to close the Green Homes Grant Voucher scheme to new applications, we have worked to resolve the

difficulties around delays in issuing and payment of vouchers. We continue to work with the scheme's administrator to ensure voucher applications are processed as quickly as possible.

**12. We recommend that the Green Homes Grant scheme be urgently overhauled and extended to provide a genuine long-term stimulus to the domestic energy efficiency sector. The scheme should not be scrapped or quietly wound down. The Government must address the design and administration issues with the scheme, and all allocated funding that has not been spent by the end of March 2021 should be rolled over into the next financial year. A multi-annual scheme must be delivered to provide the financial support to owner occupiers and build trust within the industry to encourage installers to get accredited and enable companies to hire staff. In its response to this report the Government should set out how it intends to revise the types of measures included in the scheme, streamline the application process, including the number of quotes required for application, and remove unnecessary bureaucracy at every step. (Paragraph 71)**

As set out in our answer to recommendation 10, while we recognise the reasons why the Committee recommended the scheme should be extended, the decision before us was whether to continue with the scheme despite significant challenges or, redirect taxpayer funding to alternative efforts to decarbonise our housing stock. On balance our judgement was that it was more beneficial overall to close the voucher portion of the Green Homes Grant scheme but reform and expand its more successful Local Authority Delivery element. This allows us to protect the taxpayer and support the supply chain by committing funding to a delivery mechanism already proven to be effective.

The Local Authority Delivery element of the Green Homes Grant Scheme has already successfully allocated £500 million of funding across the English regions, to support retrofit measures which improve energy efficiency and increase low carbon heating in circa 50,000 low-income households. Under this scheme, Local Authorities can deliver support to any low-income households in England, regardless of their tenure. This includes private landlords with low-income tenants; as under the voucher scheme landlords can access up to £5,000 of grant funding and must make a minimum 33% of the cost of upgrades.

Our commitment to invest in decarbonising our buildings remains unwavering, and we recognise the importance of long-term funding to sustainably grow the installer base and supply chain. As such, £300 million of new funding will be made available to Local Authorities through an extension of the Local Authority Delivery and through additional support for social housing. We have seen a positive response to the initial Social Housing Decarbonisation Fund Demonstrator, with funding provided to 19 projects and over 2300 social homes being retrofitted. We will build on this success by developing the delivery of the SHDF based on insights and learning for the SHDF Demonstrator. Whilst the additional £300million is funding for financial year 2021/21, delivery will continue to March 2023.

The Local Authority Delivery scheme and the Social Housing Decarbonisation Fund will require many of the same skills and training as the Green Homes Grant Voucher Scheme. Investing in these skills and training remains a key priority for us. This is why Government invested £6.9 million in skills training for this industry. The Green Homes Grant skills competition is continuing and is expected to deliver over 8,000 new

skills training opportunities. Training providers are offering free or subsidised courses covering a wide range of skills and certifications across both energy efficiency and clean heat measures. Due to Covid 19 and the associated restrictions we have been unable to deliver face to face training as quickly as we had initially hoped. However, we have worked closely with partners to develop alternative methods of delivering training. We have also agreed an extension to training delivery timelines for providers to ensure that industry can continue to access the available support. Nonetheless, despite these initial challenges, we have received good interest and over 40% (3,000) training courses are underway or have been completed.

This is also why the Government is investing £2.5 billion in a National Skills Fund, helping to support hundreds of thousands of green jobs over the next decade. This approach will help us support a thriving retrofit industry to ensure we build back better after the pandemic and continue to deliver on our Net Zero ambitions.

In addition, from 2018 to March 2021 Government funded six energy efficiency supply chain demonstration projects designed to test different approaches to supporting local energy efficiency supply chain integration and project coordination. The anticipated outputs of these projects include insights into how the quality and consistency of retrofit work can be improved, how the skills and knowledge of supply chain actors can be boosted through training, and how sustainable business models for retrofit can best be established. An evaluation of the work of the six pilots is expected to be published during summer 2021, and the outputs will be used to inform future policy in this area.

**13. Sustained delivery of measures to support the transition to a 68 per cent reduction in emissions by 2030, and net zero by 2050, will require strategic planning and thorough engagement with all stakeholders. The Government's strategic ambitions here require multi-annual spending commitments which may need to supersede Spending Review perspectives. Short-term tactical fixes in this sector, designed to deliver quick wins, have been proven to be counterproductive when not designed as part of an overall strategy. (Paragraph 72)**

In June 2019 the UK became the first major economy to legislate to end our net contribution to climate change by 2050. The government also accepted the Committee for Climate Change's recommendation that the Treasury should undertake a review into the costs of transitioning to Net Zero. The Interim Report, published in December 2020, is the first publication from the Treasury's Net Zero Review. It is a discussion document that sets out the analysis so far and seeks feedback ahead of the Final Report, due in spring 2021. The Final Report will take this analysis further, focusing on innovation and growth, competitiveness, and household impacts.

The Committee has rightly signposted the need for long-term certainty for the energy efficiency industry if we are to be successful in decarbonising our building stock. Some of this is of course about certainty of funding. In that context, we have made an excellent start as a result of the funding being invested through the other schemes that were launched alongside the Green Homes Grant, including the Social Housing Decarbonisation Fund and the Public Sector Decarbonisation Scheme.

We have also recently committed to increasing the Energy Company Obligation to £1 billion per year from 2022. We do agree that we need to look further ahead, for instance

through the commitments made as part of the 2019 Conservative Manifesto. This included £2.5 billion for Home Upgrade Grants to upgrade some of the worst homes in England, and a £3.8 billion Social Housing Decarbonisation Fund over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050.

The Government is planning to publish a Heat and Buildings Strategy shortly, which will set out the approach we will take, both in terms of action over the coming decade and our longer-term strategic approach to 2050, for reducing emissions from buildings.

These actions include the deployment of energy efficiency measures and low carbon heating as part of an ambitious programme of work required to enable key strategic decisions on how we achieve the mass transition to low-carbon heat and set us on a path to decarbonising all homes and buildings.

**14. We recommend that BEIS and the Treasury undertake a joint review of the preparation, launch, funding and delivery of the Green Homes Grant programme, and that the recommendations of that review be applied to all cross-Government working on programmes to deliver net zero objectives.** (Paragraph 73)

Of the four ambitious new policy schemes announced by the Chancellor for building retrofit at last year's Summer Economic Statement, three are performing well, and on track to deliver over £1.5 billion of investment and support 50,000 jobs.

The National Audit Office (NAO) is currently undertaking a comprehensive review of the Voucher scheme, with Treasury participation, which is due to be published in early July.

This is in addition to the evaluation by an independent research organisation, Ipsos MORI, which will evaluate the effectiveness of the Voucher Scheme, including a comprehensive analysis of scheme processes and outcomes.

**15. We welcome the Green Homes Grant Local Authority Delivery scheme, and, in particular, the fact that it can be used to deliver improvements across all tenures. We consider that it has real potential to help build local authority capacity and energy efficiency supply chains by supporting area-based approaches.** (Paragraph 77)

Local Authorities and Local Energy HUBs have a comprehensive understanding of their local community, and will be able to identify low-income households eligible for energy efficiency upgrades, including through consumer referral routes from the health and charity sector. We are closely monitoring the delivery of the funded projects to assess the success of Local Authorities delivering area-based support to upgrade thousands of homes across England in this year.

**16. We recommend that, following an evaluation of Phase Two, the scheme is expanded with a larger budget, over a multi-year period, and a greater role for BEIS's local energy hubs to supplement local authority capacity.** (Paragraph 78)

We have now allocated £300 million to the 5 Local Energy Hubs, who will work with the local authorities in their region to deliver energy efficiency upgrades to around 30,000 homes across England by December 2021.

Each Hub will receive a regional allocation to ensure that all regions receive a base allocation to benefit from job creation from a green recovery, whilst recognising that all regions do not have the same number of homes, number of households in fuel poverty or an equal delivery capacity.

As announced in March around £300 million of extra funding is being made available to Local Authorities to cut greenhouse gas emissions from the nation's homes through energy efficiency and low carbon heating schemes, meaning tens of thousands more low-income households will be able to have their homes upgraded.

Any further years of funding are depending upon future fiscal events and the delivery model will consider relevant learning from the implementation of the economic stimulus schemes.

**17. We welcome the Social Housing Decarbonisation fund and support its aims to retrofit social housing at scale. However, to date only a fraction of the funding has been made available for demonstrator projects that may well not deliver the efficiencies that larger schemes could achieve.** (Paragraph 85)

Last year's Summer Economic Update announced the Social Housing Decarbonisation Fund (SHDF) Demonstrator project, which was launched in 2020 and has awarded £62m of funding to social landlords across England and Scotland. 19 projects received a share of the funding, seeing over 2300 social homes improved to at least EPC band C. The successful projects within the SHDF Demonstrator were announced on 23 March 2021 and details are available here.

The Demonstrator project is supporting social landlords in developing new and innovative ways of bringing down the cost of whole house retrofits, with a combination of energy efficiency and clean heat measures. Insights and learnings from the Demonstrator will be used to develop the design of the longer term SHDF, which will upgrade a significant amount of the social housing stock currently below EPC C up to that standard, delivering warmer and more energy-efficient homes, reducing carbon emissions and bills, as well as supporting green jobs.

**18. The Government should bring forward the allocation of the £3.8bn of funding pledged before the 2019 general election. This would deliver cost savings at scale. This funding should be frontloaded to reap the benefits of cumulative emissions savings towards net zero. The Government should also allow housing associations to lead bids, so as to ensure that the available funding is used quickly and effectively.** (Paragraph 86)

The Autumn 2020 Spending Review committed £60m of funding for the first wave of the £3.8bn manifesto commitment in financial year 21/22.

The Government recently announced an extra £300 million of funding to be invested to cut greenhouse gas emissions from the nation's homes through energy efficiency and low carbon heating schemes, delivered through the Green Homes Grant Local Authority Delivery Scheme and Social Housing Decarbonisation Fund. Following this announcement there will be around £160m of funding for the first wave of the SHDF in 2021/22. We will continue to work with the Treasury to secure further funding in line with the manifesto commitment.

BEIS is currently developing the design guidance for the Social Housing Decarbonisation Fund. During this development, a wide range of possibilities will be examined to ensure successful delivery of the fund. The SHDF is intended to be open to all social housing landlords, including housing associations.

**19. The proposed extension to the Warm Home Discount provides no apparent incentive to poor or vulnerable customers to invest in improving the energy efficiency of their homes. Energy efficiency is the most sustainable long-term solution to fuel poverty. The money earmarked for additional years of the scheme could be better applied to support energy efficiency objectives more directly, through Home Upgrade Grants or the Energy Company Obligation, to improve energy efficiency and to lower energy bills in perpetuity for those struggling to pay. (Paragraph 89)**

In the Energy White Paper, Government set out its goal to ensure that energy bills are affordable and that households in fuel poverty are not left behind in the transition to a net-zero future. We agree that energy efficiency improvements provide the most sustainable long-term solution to fuel poverty, and Government has a statutory target to ensure as many fuel poor homes as reasonably practicable achieve a minimum energy efficiency rating of Band C by 2030. However, improving energy efficiency takes time, and there is continued recognition in both the Energy White Paper and the recently published Sustainable Warmth strategy that some households are in need of additional, immediate support. This is why we continue to promote a range of measures to tackle fuel poverty, including energy bill rebates delivered through the Warm Home Discount scheme.

The Warm Home Discount is a key policy in Government's programme to tackle fuel poverty and the effects of rising energy prices on low-income households. As noted by the Committee, the scheme helps over 2 million low income and vulnerable households each winter with their energy costs. A total of over £3 billion of direct assistance has been provided to low income and vulnerable households in the ten years since the scheme began, largely through the provision of energy bill rebates, now worth £140 for each household. These rebates are designed primarily to help households struggling with energy costs. Rebates are delivered through energy suppliers and, in most cases, they are applied to a customer's electricity or gas bill directly.

The Government has committed to expanding the Warm Home Discount scheme, increasing the total spending envelope to £475 million per year (in 2020 prices), thereby supporting more households with the costs of heating their homes. The Government will consult on proposals to improve the fuel poverty targeting of the scheme, directing the support to those who need it most.

By expanding the scheme and improving its fuel poverty targeting we will also allow energy suppliers to better identify those most suitable for assistance under ECO.

In addition to rebate provision, in the 2019/20 scheme year, over £37m of Industry Initiatives were delivered through the Warm Home Discount. As part of this, over £12.4m (or 33.6%) was spent by energy suppliers on a range of energy efficiency measures targeted at fuel poor households. These measures include thermal efficiency improvements, energy efficient appliances or micro generation, as well as energy efficiency advice. These packages of measures provide vital financial and non- financial sources of support for households in, or at risk of, fuel poverty.

**20. Stop-start Government policies and intermittent funding streams have resulted in a dearth of installers of energy efficiency measures. A lack of accredited tradespeople has hampered the initial delivery of the Green Homes Grant, and there is a significant risk that the Government will not meet its heat pump installation targets due to a lack of qualified tradespeople.** (Paragraph 100)

We understand the calls for consistency in policy and long term funding position from the industry and other stakeholders. Any decisions about future funding are a matter for the spending review. We agree with the Committee on the need to provide as much long-term certainty as possible to industry and households and the soon to be published Heat and Buildings Strategy will set out the approach we will take, both in terms of action over the coming decade and our longer-term strategic approach to 2050, for reducing emissions from buildings.

The Green Homes Grant Voucher Scheme represented a significant increase in funding available for energy efficiency and low carbon heat, and it was expected that industry would need to scale up to meet the increased demand. During the scheme, we have worked closely with installers, scheme providers, trade bodies and certification bodies to monitor and address emerging issues with the scheme, through roundtables and attendance at industry events. We reduced the barriers to certification, working with the British Standards Institute to reduce the cost of purchasing the relevant Publicly Available Standards, and with Trustmark scheme providers and certification bodies to encourage them to streamline processes where possible.

The Local Authority Delivery scheme and the Social Housing Decarbonisation Fund will require many of the same skills and training as the Green Home Grant Voucher Scheme. Investing in these skills and training remains a key priority for us. As part of the Green Homes Grant Skills Competition, Government awarded over £6 million to support training for tradespeople delivering green home energy improvements, with the aim of delivering over 8,000 new training opportunities, and good progress is being made here (see answer to Recommendation 12).

Government is aware that we will need to significantly increase the number of trained installers to deliver our 2028 target of installing 600,000 heat pumps per year. We are working closely with both industry and education providers to ensure that appropriate training is available, both for new entrants to the sector and existing heating installers who do not have heat pump experience. By the end of 2021, we expect industry to have capacity to upskill over 7,000 heating installers per year to install heat pumps. In addition, BEIS is also feeding into research conducted by the Construction Industry Training Board (CITB), which will constitute a skills analysis based on expected net-zero deployment trajectories advised by the CCC and focus on the skills required to improve the energy efficiency of new and existing buildings, as well as an anticipated large-scale switch to low-carbon heat.

**21. Whilst we welcome the launch of the Green Jobs Taskforce and the Green Homes Grant Skills Training Competition, the Government must create a visible, long-term market that makes energy efficiency and heat pump installation a stable and desirable profession. The Department for Business, Energy and Industrial Strategy, working with the Department for Education, should commit to the funding of a dedicated training programme to support a long-term strategy for education and training in green**

**jobs. Training is also required to develop the networks of advisers and coordinators which will underpin the successful growth of employment opportunities in the sector.** (Paragraph 101)

We recognise the need for long term growth and skills development in the energy efficiency and heat pump markets as we continue to decarbonise the housing stock towards our net zero target. This is part of our wider work to invest in the UK's most important asset—our workforce—to ensure that people have the right skills to deliver the low-carbon transition and thrive in the high- value jobs this will create.

We are determined to seize the once-in-a-generation economic opportunities of the net zero transition by creating new business opportunities and supporting up to 2 million green jobs by 2030 across all regions of the UK.

To ensure we have the skilled workforce to deliver net zero and our Ten Point Plan, we have launched the Green Jobs Taskforce, working in partnership with business, skills providers, and unions, to help us develop plans for new long-term good quality, green jobs by 2030 and advise what support is needed for people in transitioning industries.

The Green Jobs Taskforce chaired by BEIS Energy Minister Anne-Marie Trevelyan and DfE Skills Minister Gillian Keegan, forms part of the government's ambitious Ten Point Plan for a Green Industrial Revolution. The taskforce will conclude its work in summer 2021, with the actions feeding into our Net Zero Strategy to be published later in the year.

We are investing significant amounts of funding. On home retrofit specifically, the Green Homes Grant Skills competition worth £6.9m is delivering over 8,000 new training opportunities.

We have the programmes in place now—including Apprenticeships, Skills Bootcamps, Traineeships, T Levels, and the forthcoming National Skills Fund—to help us grow future talent pipelines and deliver the skilled individuals we will need. And the Lifetime Skills Guarantee will help people train and retrain at any stage of their lives and so develop the skills most valued by employers. With help from the Taskforce, we will ensure that these programmes can be directed to support the net zero agenda, and to identify where the evidence tells us we might need to go further or faster.

**22. We recommend that as part of the forthcoming Heat and Buildings strategy a national retrofit strategy is developed with colleges and other education providers to provide the training and re- training needed to prepare our homes for a low-carbon future. The strategy must address the much-needed increase in certified heat pump installers to meet expected demand including through recruitment incentives, with support for apprenticeships and reskilling.** (Paragraph 102)

The Department is continuing its work with the Green Jobs Taskforce to produce an Action Plan for Net Zero skills across a range of sectors with the goal of 2 million net zero jobs by 2030. As part of this, for heating, Government is aware that we will need to significantly increase the number of trained installers to deliver our 2028 target of installing 600,000 heat pumps per year. We are working closely with both industry and education providers to ensure that appropriate training is available, both for new entrants to the sector and existing heating installers who do not have heat pump experience. By the end of 2021, we expect industry to have capacity to upskill over 7,000 heating installers per year to install

heat pumps. In addition, BEIS is also feeding into research conducted by the Construction Industry Training Board (CITB), which will constitute a skills analysis based on expected net-zero deployment trajectories advised by the CCC and focus on the skills required to improve the energy efficiency of new and existing buildings, as well as an anticipated large-scale switch to low-carbon heat.

**23. We support the introduction of minimum energy performance standards across all tenures. Without these minimum standards, it is unlikely the Government's overall ambitions on retrofitting energy efficiency will be achieved.** (Paragraph 110)

We welcome the Committee's support for a minimum energy performance standards across all tenures, and believe this is a key enabler of action as set out in our earlier responses. To this end, we have:

- Consulted on strengthening the minimum energy performance standards for the domestic Private Rented Sector, for new tenancies from 2025 and all tenancies by 2028;
- Committed to consult on energy performance requirements under the Decent Homes Standard for social housing in the Social Housing White Paper; and
- Committed to consult in 2021 on regulatory measures to improve energy performance for owner occupied homes in the Energy White Paper.

**24. We recommend that the social rented sector should be subject to the same standards as the private rented sector.** (Paragraph 111)

In December 2020, government published the Social Housing White Paper where it committed to review the Decent Homes Standard (DHS) to consider how it can better support the decarbonisation and energy efficiency of social homes. Part 1 of the review is underway and the Sounding Board meeting in August will consider the review of the existing criterion for a reasonable degree of thermal comfort. The level of ambition of a standard will be set as part of the review, taking account of other tenure type standards such as the proposals in the recently closed private renter sector consultation and wider government policy.

**25. In its forthcoming Heat and Buildings Strategy, the Government, acting on the advice of the Climate Change Committee, should set an ambitious and realistic trajectory for owner occupiers to achieve minimum EPC C standards. The CCC recommends that by 2028 all properties achieve EPC level C at the point of sale. This is a hugely ambitious target and the Government must set out how it plans to raise public engagement and revise its delivery mechanisms to achieve this target and specify where exemptions may be necessary. These measures may include cost caps to be applied to such work and exemptions from the requirement to meet these standards: for instance, on the grounds of affordability or for properties recognised as hard to treat. It should also ascertain the risks of creating a two-tier mortgage market and long-term blight for owner occupiers and the private rented sector of hard-to adapt properties and identify and implement measures to avoid this impact.** (Paragraph 112)

The Government recognises more needs to be done to improve the energy performance of owner-occupied homes and we remain committed to the aspiration for as many homes as possible to be upgraded to EPC Band C by 2035, where practical, cost-effective and affordable.

We committed in the Energy White Paper to consulting on regulatory measures to improve the energy performance of owner-occupied homes. We will be consulting on a broad range of regulatory options this year.

We recognise that for some homes it may not be possible to reach EPC C in a practical, cost-effective and affordable way and any policy will take that into account. As an example, we have already addressed related concerns in our existing domestic private rented sector regulations where homes cannot reach EPC E. Under these regulations, there are a range of exemptions that property owners can use (e.g. where improvements are too costly, where all improvements have been carried out, where measures would have a negative impact on the property, etc).

Our mortgage lender consultation proposes that lenders reach a portfolio average target of EPC Band C by 2030. The proposal is designed to stimulate a market for green finance and ensure access to attractive finance options for homeowners. Access to finance will play an important role in improving the energy performance of homes. We included a number of proposals in the consultation to reduce potential risks, such as setting a portfolio average improvement target (rather than an absolute minimum) to allow lenders to lend to properties with varying levels of efficiency and still reach their target. We have also proposed an exemptions framework for vulnerable homeowners and certain property types. We will consider responses to these proposals carefully as part of our ongoing policy development.

**26. Green finance options are essential to encourage owner occupiers to take action on energy efficiency. We welcome the ambition of some leading lenders to make green mortgages available, and the Government consultation on how mortgage lenders can help householders to improve the energy performance of their homes. (Paragraph 129)**

We agree with the Committee that green finance will play a critical role in helping householders to improve the energy performance of their homes.

We estimate that getting as many homes as possible to EPC band C by 2035, where cost-effective, practical and affordable, will require capital investment of up to £65 billion, and so green finance will be key from the start.

Our consultation on Improving Home Energy Performance Through Lenders closed in February 2021. We will carefully review responses to the consultation and use it to develop further our proposals for supporting the expansion of the green home finance market.

**27. Alongside an extension of the Green Homes Grant, other financial incentives, such as low interest loans, will need to be made available to owner occupiers and landlords to achieve the thorough retrofit of domestic housing stock the Government envisages. The Green Finance Institute has identified 21 possible products. It is therefore disappointing that the Green Home Finance Innovation Fund only looked at green mortgages and did not pilot stamp duty rebates and low interest loans which have**

**shown considerable success in other parts of the world. We look forward to hearing more details from the Government on how the proposed National Infrastructure Bank will be used to finance domestic energy efficiency.** (Paragraph 130)

We agree with the Committee that a range of financial products will be essential to support owner occupiers and landlords to improve the energy performance of their homes. We have seen good progress over the last 12 months with a range of large and small financial organisations start to develop and launch products. Alongside our proposals for mortgage lenders and our existing Green Home Finance Innovation Fund, we are considering what further action may be required to catalyse the market for a wide range of attractive and low-cost green finance products. This includes exploring whether there are options for the recently announced UK Infrastructure Bank to support retail lenders to deliver green finance to homeowners. The mandate for the Bank is currently under development and is due to be announced by HM Treasury this summer.

Regarding Stamp Duty, trials of Stamp Duty rebates for energy efficient homes are not under active consideration at this time. HM Treasury is responsible for tax policy. Stamp Duty Land Tax (SDLT) raises billions of pounds each year to pay for the essential services the Government provides. HM Treasury believes linking SDLT to the energy efficiency of the property will, by the nature of its design, reduce tax revenue in the long-term.

Furthermore, HM Treasury believes SDLT is a fair and progressive tax. Properties under £125,000 do not attract any SDLT at all, and neither do first-time buyers buying a property under £300,000. This means that in 2019–20, 34% of people buying a property did not pay SDLT at all. Any changes that would reduce SDLT revenue would have to be carefully considered given the impact on public finances, as would the impact on access to housing and social mobility if stamp duty was increased for low energy efficient home.

**28. Despite the need to make progress in improving energy efficiency of 19 million homes to achieve net zero Britain objectives, no mention was made in the Budget statement on 3rd March by the Chancellor of energy efficiency, nor any steps taken to improve delivery of the Green Homes Grant, his flagship measure announced by him in July 2020, which has so far signally failed to deliver its targets.** (Paragraph 131)

It is a matter of public record that the Department has raised concerns with the scheme administrator, ICF, on performance, and has been working with them to resolve their issues. With this work ongoing it was not appropriate to comment on the future of the scheme at the time of the Budget on 3rd March. As the Committee is aware, since the publication of its report, the decision to close the Green Homes Grant Voucher scheme to new applications was announced on 27th March.

**29. We recommend that the Chancellor of the Exchequer look again at proposals to reduce to five per cent the rate of VAT on the labour element of refurbishment and renovations. The Government should also bring forward proposals to reinstate the reduced rate of VAT payable on Energy Saving Materials at its former level of five per cent and to expand its scope to cover energy storage, heat pumps and electric vehicle charging.** (Paragraph 132)

VAT is a broad-based tax on consumption and the 20 per cent standard rate applies to most goods and services. While there are exceptions to the standard rate, these have always been limited by both legal and fiscal considerations. One example of such an exception to

the standard rate of VAT is the reduced VAT rate of 5 per cent for the installation of many Energy Saving Materials (ESMs), subject to certain conditions. A VAT relief is available for people who are aged 60 or over or are in receipt of certain benefits, and for housing associations or certain residential buildings such as care homes. In all other cases, the reduced rate applies unless the value of the materials exceeds 60 per cent of the total cost of installation. In such cases, the reduced rate of 5 per cent applies to the labour costs of installation and the standard rate of 20 per cent applies to the cost of the ESMs themselves. Moreover, consumers already benefit from a number of VAT reliefs on construction. The government currently maintains a zero rate of VAT on new-build residential or qualifying buildings. Additionally, a reduced rate of VAT at five per cent is also maintained, subject to certain conditions, for residential renovations, such as building services and materials. This includes conversions of buildings from one residential use to another, converted from commercial to residential use, and the renovation of properties that have been empty for two years or more prior to the renovation work. This relief encourages redevelopment and is designed to incentivise regeneration. Going further would impose significant additional pressure on the public finances, to which VAT makes a significant contribution. For example, introducing a reduced rate of VAT on all property renovation, repairs, refurbishments and improvements would cost the Exchequer approximately £3.75 billion per year. VAT raised around £130 billion in 2019/20 and helps to fund key spending priorities including on health, schools, and defence. Any loss in tax revenue would have to be balanced by a reduction in public spending, increased borrowing or increased taxation elsewhere. Moreover, this request should be viewed in the context of over £50 billion of requests for relief from VAT received since the EU referendum. Again, such costs would have to be balanced by increased taxes elsewhere, or reductions in government spending.

**30. We support and reiterate the Green Finance Taskforce recommendation that the Government should pilot a stamp duty rebate for homeowners that improve the efficiency of their homes within the first year of purchase.**

**We recommend that the Government work with the financial sector and major landlords, including local authorities and other social landlords, to stimulate renovation through the introduction of green mortgages, green finance and low-cost loans. These instruments would help to address the barriers to energy efficient renovation and retrofit in the form of high upfront costs of energy efficiency measures. The Government should consider how the national infrastructure bank could be used as a vehicle to finance energy efficiency given the scale of success achieved in Germany through its state funded low interest loan scheme. (Paragraph 133)**

Green finance and green lending will have a significant role to play in the decarbonisation of homes as we move through the 2020s, and we agree that action is needed to support lenders and the wider finance market to innovate and expand the range of green finance offering available to homeowners.

In addition to our consultation on Improving Home Energy Performance Through Lenders, referenced above in response to paragraph 129, we are supporting the development of innovative green home finance products through our Green Home Finance Innovation Fund. Through this fund we have awarded £1.8m to three projects due to complete by March 2022. As mentioned above, we are also currently engaging with lenders and wider industry stakeholders to consider the best ways of providing additional support for the

development of the green finance market over the coming years, both for green mortgages, and for green lending more broadly as well as exploring options for the recently announced UK Infrastructure Bank to support retail lenders to deliver green finance to homeowners.

While trials of Stamp Duty rebates for energy efficient homes are not under active consideration at this time for the reasons set out above, Government recognises more needs to be done to improve the energy performance of owner-occupied homes and we remain committed, as set out in the Energy White Paper, to consulting on regulatory measures to improve the energy performance of owner-occupied homes. We will be consulting on a broad range of regulatory options this year.

**31. The Government should work with the financial services sector to devise and implement a communications strategy to raise awareness about, and to encourage the uptake of, appropriate types of financing measures already on the market being offered, such as green mortgages. (Paragraph 134)**

We agree with the Committee that consumer awareness is a vital component in delivering retrofit at scale.

We have been engaging with a wide range of stakeholders, including many organisations from the financial services sector, on ways to improve consumer advice and awareness. In our consultation, Improving Home Energy Performance Through Lenders, we also asked respondents how we might ensure that intermediaries, such as mortgage brokers, have access to the information necessary to advise consumers. We will carefully consider responses to this as part of our ongoing policy development.

**32. Energy Performance Certificates have a range of flaws, with their inability to reflect real-world energy performance being the biggest challenge. Desk-based assessments with out-of-date software are doing nothing to improve the market value of decarbonised homes and do not accurately reflect the progress the country is making in improving the energy efficiency of housing stock. Given their role underpinning Government policy and targets, EPCs should nevertheless be retained but thoroughly overhauled to ensure that they represent an accurate assessment of the improved energy performance of buildings.**

We recommend the EPC methodology is fundamentally overhauled to support low carbon heating measures by indicating, in its headline rating not only the fuel cost of heating a property but also its energy and carbon metrics. The measures in the Government's EPC action plan are not enough to achieve what is needed to support the decarbonisation of homes: we recommend that Ministers look at this again with far greater urgency. Well in advance of 2025, while the energy market is rapidly decarbonising, we would like to see the introduction of EPCs more reflective of real-world performance, and the publication of regular updates on the developing methodology behind EPC assessments. Those carrying out EPC assessments should be suitably qualified and trained in energy modelling and assessment. (Paragraphs 141 and 142)

We agree with the Committee on the importance of ensuring Energy Performance Certificates (EPCs) align to our policy objectives, and legally binding targets, to achieve

net zero by 2050 and tackle fuel poverty, and we will continue to keep the metrics and methodologies used by EPCs under review as we develop policies to deliver on those objectives.

Alongside the energy efficiency rating (EER), based on the estimated running costs of the property which can be a significant outlay for owners and occupiers, EPCs also provide homeowners with information on the estimated current and potential annual CO<sub>2</sub> emissions of the property following the implementation of the recommendations provided, as well as the estimated primary energy use of the property per year in kWh/m<sup>2</sup>. Government recently consulted on raising the minimum energy efficiency standard for privately rented homes to an EPC Energy Efficiency Rating of C, and an Environmental Impact Rating of C, which would utilise both a cost and carbon metric to improve energy performance. This consultation is now closed, and the responses are being analysed with a summary to be published in due course.

The underlying set of calculations used to generate EPCs is defined by the Standard Assessment Procedure (SAP); is updated periodically in line with the updates to Part L of the Building Regulations. The current version of SAP came into force in 2013; we are currently consulting on final updates to the next version of SAP, SAP 10.2, which will improve and update the methodology to increase its accuracy and are looking to introduce an upgrade to the current version of SAP later this year.

In parallel Government has started work to develop a future version of SAP which is expected to come into force alongside the Future Homes Standard in 2025. As part of this we commissioned a scoping project to advise on what SAP 11 will need to model and how it should do this. This will be important for ensuring SAP is best able to meet our policy objectives, including reaching net zero emissions. The project recently delivered its final report and Government is considering its recommendations, which will help to inform the development of the future methodology. This will include, in line with the commitment in our EPC Action Plan, investigating the potential to use smart meter data and Smart Meter Enabled Thermal Efficiency Ratings (SMETERs) to supplement the existing SAP methodology, and better reflect in-use performance.

We agree with the Committee on the importance of assessor competence. EPCs may only be completed by suitably qualified assessors and professional standards are maintained by the six accreditation schemes. As indicated in the EPC Action Plan, we are working with the accreditation schemes and its representative body to review the competence of assessors and, as part of that, will consider a range of measures to ensure that the skills of those producing EPCs are maintained and built upon to increase the quality of EPCs.

**33. Building renovation passports have the potential to provide much more accurate data on energy usage and could be used to unlock green finance. They provide homeowners with long- term renovation strategies which can minimise disruption to their properties and thereby encourage more extensive retrofitting of energy efficiency measures. We recommend the Government develop an approved, standardised methodology and data framework for Building Renovation Passports and supports their roll-out, with a view to the eventual replacement of Energy Performance Certificates. (Paragraphs 148 and 149)**

Energy Performance Certificates (EPCs) are critical to our policy proposals and we are committed to improving them as set out in our EPC action plan. However, we are open to considering how data from EPCs could input into Building Renovation Passports as well as whether further intervention from government is required to support their development.

As part of this we are currently engaging with industry stakeholders to explore the potential mechanisms to deliver a Building Renovation Passport, and we are aware of a number of projects developing in the sector to deliver either a passport or logbook package. This includes work being conducted by the Residential Logbook Association (RLBA), supported by Ministry of Housing Communities and Local Government, to deliver a logbook to facilitate the conveyance process and a report recently published by the Green Finance Institute which outline recommendations for an initial framework for building passports.

Furthermore, we are engaging with TrustMark, as part of the EPC Action Plan, on their development of a new consumer-facing Property Hub for the Data Warehouse, to allow property owners to access a 'logbook' for their property showing works which have been carried out through the government- endorsed TrustMark scheme.

Government regards EPCs as a useful source of information for prospective buyers or renters of properties. There are no plans to replace EPCs but the 35-point EPC Action Plan, published in 2020, is designed to increase the trust in, accuracy and reliability of EPCs. Implementation of the Action Plan is progressing jointly by MHCLG and BEIS.

Lastly, government schemes that incorporate the PAS 2035:2019 standard, will also utilise Medium Term Improvement Plans (MTIPs) for certain levels of retrofit, such as those receiving three or more energy efficiency measures. For example, most retrofits for the next phase of the Energy Company Obligation (ECO) scheme will require MTIPs.

**34. We have heard of the benefits of a bespoke advice service on energy efficient retrofitting. We consider that such a service will be essential in order to achieve the pace of change needed to meet the net zero target. We recommend the Government's present basic energy advice service available in England is upgraded to a specialist bespoke advice service similar to the Home Energy Scotland network. This should include measures to identify the most appropriate financing programme for each consumer.** (Paragraphs 153 and 154)

User engagement with the Government's Simple Energy Advice (SEA), continues to grow on a yearly basis as the public seek impartial and bespoke advice on how to improve the energy performance of their homes, including on national and local grants to help finance the installation of improvements. During the year April 2020-March 2021, there was a 450% increase in users of the SEA website and a 400% increase in calls to the freephone helpline compared to the previous year. Any future development of the SEA will be based on an iterative process of user testing.

**35. Sustainable building materials are not being utilised to anywhere like their full potential in the UK. The use of natural fibre insulation could have significant benefits for the UK's older housing stock.** (Paragraph 158)

We recognise that the carbon emitted during by the construction of homes and buildings, or embodied carbon, can account for a significant proportion of the total carbon emissions over the lifetime of a building. As we transition to a net zero economy, reducing these emissions by increasing the use of low-carbon materials in construction will be vital.

On 17 March, the government published the UK's first ever Industrial Decarbonisation Strategy. This document is the first strategy published by a major economy which sets out how industry can decarbonise in line with net zero, while remaining competitive and without pushing emissions abroad. This strategy includes consideration of new policy approaches which government could introduce to support development of the market for low-carbon industrial materials, including construction products.

**36. We recommend that within its Heat and Buildings Strategy, the Government consider stipulating the use of sustainable materials in public sector energy efficiency contracts as a first incentive to drive the UK's domestic supply chain of these materials.**  
(Paragraph 159)

Government is in the process of reforming public procurement policy to reflect our values and respond to national priorities. On 15 December 2020 the Cabinet Office published a Green Paper consultation on Transforming Public Procurement ahead of bringing forward primary legislation in the summer. The Green Paper includes a number of proposals to enable procurement to better deliver government policy and maximise societal benefits, like amending the basis on which contracts are awarded from most economically advantageous tender (MEAT) to most advantageous tender (MAT) and retaining the requirement for criteria to be linked to the "subject matter of the contract" but allowing specific exceptions set by government

The government also intends to publish a National Procurement Policy Statement, setting out national priorities of strategic importance in public procurement, including tackling climate change. The government intends to legislate to require all contracting authorities to have regard to the statement in their procurement and commercial activities.

The government also published the Industrial Decarbonisation Strategy on March 21st this year, which recognises the role that public procurement can play in creating demand for green products, and set out actions that the government will take to help support the development of a market for low carbon industrial products, centered on data transparency, product standards, and product labelling.

## Appendix 2: Correspondence between the Department for Business, Energy and Industrial Strategy and the Chair of the Committee on the future of the Green Homes Grant voucher scheme

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### **1. Letter to the Chair of the Committee, Rt Hon Philip Dunne MP, from the Secretary of State for Business, Energy and Industrial Strategy, Rt Hon Kwasi Kwarteng MP, dated 27th March 2021**

I am writing to update you on the future of the Local Authority Delivery (LAD) and Voucher elements of the Green Homes Grant Scheme.

We have made great strides over the past year on decarbonising buildings. We set out our ambition and approach through the Prime Minister's 10 Point Plan for a Green Industrial Revolution and the Energy White Paper. This includes our aim to deploy 600,000 heat pumps a year by 2028 and get as many homes as possible to Energy Performance Certificate Band C by 2035.

The Green Homes Grant Local Authority Delivery Scheme has proved incredibly successful in supporting local authorities to help around 50,000 households in England with an annual income of under £30,000. These households will be able to save hundreds of pounds each year on their energy bills by making their homes more energy efficient. Equally, the Green Homes Grant Voucher Scheme has received more than 96,000 applications, with over 39,000 vouchers having been issued so far.

However, many in Parliament have highlighted that, whilst the Voucher scheme has good potential, it has not been delivering at the rate and scale we had originally hoped. The scheme has faced a number of delivery challenges, which have been exacerbated by the understandable impact of the Covid pandemic.

Since my appointment as Secretary of State two months ago, I have been listening to these concerns and reviewing the Voucher scheme against the other, more successful elements of the Green Homes Grant scheme.

I feel it is important that we take stock and consider our approach. As such, the Voucher scheme will cease taking new applications at 5pm on 31st March. We will refocus efforts and funding on alternative approaches that will maximise delivery of home retrofits for consumers who are most in need and will support the supply chain to keep delivering.

I want to reassure you that all valid applications received up to 5pm on 31st March will be processed and vouchers in the system will continue to be issued, meaning that delivery of installations on the ground will continue over the coming months. This will support jobs in the industry and deliver much needed upgrades to households.

Our commitment to investing in decarbonising our buildings remains unwavering, and we recognise the importance of long-term funding to sustainably grow the installer

base and supply chain. To ensure we continue to deliver on our net zero ambitions and support a thriving building retrofit industry, I can announce that the Government will be expanding its funding commitment for both the Local Authority Delivery element of the Green Homes Grant scheme and the Social Housing Decarbonisation Fund, with up to £400m in additional funding across the two schemes through 2021/22 and delivery continuing through 2022/2023.

The Local Authority Delivery element of the scheme has already successfully allocated £500 million of funding across the English regions, to support retrofit measures such as energy efficiency and low carbon heating in around 50,000 low-income households.

Building on that success, I can announce we will be extending the Local Authority Delivery scheme later this year which means that even more low-income households in England will be able to access funding to improve their homes.

In addition to the success of the Local Authority Delivery element of the Green Homes Grant scheme, we have seen an extremely positive response to the initial Social Housing Decarbonisation Fund Demonstrator. This is currently delivering 19 projects across England and Scotland, enabling whole house retrofits to over 2,300 social homes. We will build on this success by increasing the size of the first tranche of funding for the main Social Housing Decarbonisation Fund.

This investment will result in greater carbon savings, warmer and more energy-efficient homes, and reduced bills for households across the country. It will increase demand for insulation and low-carbon heating measures and support our pathway to net zero.

We are committed to giving the sector the confidence to continue to recruit, train and support green jobs. We will continue to bring forward bold measures to cut emissions, investing through a multi-billion-pound package to provide vital upgrades to our housing stock.

Yours ever,

**RT HON KWASI KWARTENG MP**

Secretary of State for Business, Energy and Industrial Strategy

## 2. Letter from the Chair of the Committee, Rt Hon Philip Dunne MP, to the the Secretary of State for Business, Energy and Industrial Strategy, Rt Hon Kwasi Kwarteng MP, dated 19th April 2021

Thank you for your letter of Saturday 27th March concerning the future of certain elements of the Green Homes Grant scheme which was launched in July 2020. The Committee considered your letter at its meeting on 14th April.

At that meeting the Committee also reviewed the recommendations for the future of the Green Homes Grant (GHG) voucher scheme made in its report on Energy Efficiency of Existing Homes, published on Monday 22nd March. An embargoed copy of that report was provided to your Department on Friday 19th March.

Paragraph 71 of the report carried the following recommendations:

- That the Green Homes Grant [voucher] scheme be urgently overhauled and extended to provide a genuine long-term stimulus to the domestic energy efficiency sector;
- that the scheme should not be scrapped or quietly wound down;
- that the Government must address the design and administration issues with the scheme, and all allocated funding that has not been spent by the end of March 2021 should be rolled over into the next financial year;
- that a multi-annual scheme must be delivered to provide the financial support to owner occupiers and build trust within the industry to encourage installers to get accredited and enable companies to hire staff; and
- that in its response to [the] report the Government should set out how it intends to revise the types of measures included in the scheme, streamline the application process, including the number of quotes required for application, and remove unnecessary bureaucracy at every step.

### *Closing the Green Homes Grant voucher scheme to new applications*

In your letter you state that the Government had decided to cease accepting new applications to the voucher scheme at 5pm on 31st March: this announcement was made on the afternoon of Saturday 27th March, on a recess weekend, fewer than 96 hours before the closure deadline, and just four days after the Minister of State for Business, Energy and Clean Growth had been questioned on the future of the scheme at the Despatch Box and had given no indication that early closure of the scheme to new applications was likely.<sup>1</sup>

This decision runs directly counter to the letter of the Committee's recommendation that the voucher scheme "should not be scrapped or quietly wound down". The Committee finds it curious that in your letter you made no reference to the Committee's recommendations on the scheme, made in a report to the House which had been available to you and your team for over a week.

In your letter, you referred to the delivery challenges for the scheme, which you claim "have been exacerbated by the understandable impact of the Covid pandemic". In the evidence it

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1 HC Deb, 23rd March 2021, [cols 780–82](#)

took, including a survey to which over 500 householders responded, the Committee found no evidence that Covid restrictions had had an impact on demand for, or delivery of, the programme. The voucher scheme was intended in part as a stimulus to promote recovery from the economic downturn in the sector during the pandemic: it is highly regrettable that the issues with scheme delivery have in many cases negated its potential economic benefits.

#### *Alternative approaches*

You have stated that you plan to “refocus efforts and funding on alternative approaches that will maximise the delivery of home retrofits to customers who are most in need and will support the supply chain to keep delivering”, and state that “a thriving building retrofit industry” will be supported through increased funding and an extended timescale for the Local Authority Delivery element of the Green Homes Grant scheme and for the Social Housing Decarbonisation Fund.

While this commitment is welcome, the funding for the elements of the Green Homes Grant which are to continue will only grow those elements of the installer base and supply chain which are geared to contracting with local authorities and other social landlords. And, as the Committee has pointed out in its report, the local authority delivery model is likely to be effective only in those areas where authorities have the resources and capacity to make effective bid for funds. Without measures to ensure consistent delivery across local authorities, a ‘postcode lottery’ is likely to ensue.

#### *Retrofitting owner occupied and privately rented properties*

The Committee is deeply concerned about the effect that the cessation of the voucher scheme will have on progress in retrofitting homes in the owner occupied and private rented sectors. Over ten million owner occupied homes and over three million private rented sector landlords in England need to upgrade the energy efficiency of their homes to become A, B or C rated by 2035 for the Government’s to achieve its climate aspirations. The voucher scheme, when announced in July 2020, was expected to deliver improvements to up to 600,000 properties in these sectors: it appears that, even if all applications are accepted, fewer than 100,000 properties will now be improved under the scheme.

As matters stand, there is at present no current government-funded scheme to which owner occupiers or private landlords can apply for support to retrofit their properties, and the scheme’s potential to stimulate increased capacity in energy efficiency retrofit SMEs which cater to owner occupiers and private landlords has been severely curtailed.

Without a well-functioning, multiannual programme of measures to encourage owner occupiers and private landlords into retrofitting their properties, it is difficult to see how these sectors can make the energy efficiency contributions necessary to realise the Government’s net zero ambitions. We look forward to examining how the forthcoming Heat and Buildings Strategy will fill what appears to be a worrying gap, and what provision might be made for a multiannual programme in the next Spending Review.

Demonstrating a credible strategy for building decarbonisation, as repeatedly recommended by the Climate Change Committee, will provide greater assurance that net zero targets can be met. It is therefore crucial that a strategy, and a plan for delivery, are in place as soon as possible, and ideally before COP26 in Glasgow in November.

In total, £1.82 billion was allocated to the voucher scheme: £1.5 billion for 2020/21 and a further £320 million for 2021/22. It would be helpful to the Committee, and to the public, for the Department to provide an assurance that the funds originally allocated for the voucher scheme in 2020/21, together with the funds made available for 2021/22 at Spending Review 2020, will be fully available for payment to applicants seeking to redeem their vouchers following the completion of work on their properties, so that each of the applications received by 5pm on 31st March will, if approved, be eligible to receive up to the maximum grant payment originally envisaged.

*Responding to the Committee's report*

In the normal course of events the Government would be expected to provide a response to the Committee's report within two months of its publication. In view of the Government's immediate rejection of a key recommendation in that report, the Committee has asked me to request a full explanation, by return, as to what account was taken of its recommendations before the decision was taken to close the scheme to new applications.

The Committee will of course wish to examine the Government's response to its report closely. Given the Government's actions following the publication of the report, you will appreciate the importance to the Committee of receiving a response to its recommendations rather sooner than within the customary two months.

I am copying this letter to Lord Callanan; to the COP President Designate, Rt Hon Alok Sharma MP; and to the Chancellor of the Exchequer, Rt Hon Rishi Sunak MP, and the Exchequer Secretary to the Treasury, Kemi Badenoch MP.

Yours sincerely,

**Rt Hon Philip Dunne MP**

Chairman of the Environmental Audit Committee

### **3. Letter from the Minister for Climate Change and Corporate Responsibility, Lord Callanan, to the Chair of the Committee, Rt Hon Philip Dunne MP, dated 30th April 2021**

Thank you for your letter of 19th April, concerning the EAC's recommendations on the Green Homes Grant Voucher scheme. As always, I found the Committee's report and recommendations helpful.

I recognise the reasons why the Committee recommended the scheme should be extended—however, ultimately the decision before us was whether to continue with a scheme beset by challenges or, redirect taxpayer funding to alternative efforts to decarbonise our housing stock. On balance, my judgement was that it would be more beneficial overall to close the voucher portion of the Green Homes Grant scheme but reform and expand its more successful Local Authority Delivery element. This was to protect the taxpayer and the supply chain by committing funding to a delivery mechanism already proven to be effective. In this way, we have continued this Government's policy of the decarbonisation of as many homes as possible whilst, at the same time, protecting the supply chain and the taxpayer.

The Committee has rightly signposted the need for long-term certainty for the energy efficiency industry if we are to be successful in decarbonising our building stock. Some of this is necessarily about certainty of funding. In that context, I believe we have made an excellent start with the other schemes that were launched alongside the Green Homes Grant, including the Social Housing Decarbonisation Fund and the Public Sector Decarbonisation Scheme. We have also recently committed to increasing the Energy Company Obligation to £1 billion per year from 2022. I agree that we need to look further ahead, for instance through the commitments made as part of the 2019 Conservative Manifesto. This included £2.5 billion for Home Upgrade Grants to upgrade some of the worst homes in England, and a £3.8 billion Social Housing Decarbonisation Fund over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The Government is planning to publish a Heat and Buildings Strategy shortly, which will set out the approach we will take, both in terms of action over the coming decade and our longer-term strategic approach to 2050, for reducing emissions from buildings. These actions include the deployment of energy efficiency measures and low carbon heating as part of an ambitious programme of work required to enable key strategic decisions on how we achieve the mass transition to low-carbon heat and set us on a path to decarbonising all homes and buildings.

As you will know, the Green Homes Grant scheme is comprised of more than the voucher scheme alone; it includes an element delivered by local authorities. The Local Authority Delivery element of the scheme has already successfully allocated £500 million of funding across the English regions, to support retrofit measures which improve energy efficiency and increase low carbon heating in circa 50,000 low-income households. Local Authorities are able to deliver support to any low-income households in England, regardless of their tenure. This includes private landlords with low-income tenants. As under the voucher scheme landlords can access up to £5,000 of grant funding and must make a minimum 33% of the cost of upgrades. Our commitment to invest in decarbonising our buildings remains unwavering, and we recognise the importance of long-term funding to sustainably grow the installer base and supply chain. As such, £300 million of new funding will be made available to Local Authorities through an extension of the Local Authority Delivery

and through additional support for social housing. We have seen an extremely positive response to the initial Social Housing Decarbonisation Fund Demonstrator. We will build on this success by increasing the size of the first tranche of funding for the main Social Housing Decarbonisation Fund. This is new funding for the 2021/22 financial year, because that is the fiscal envelope we are currently working within.

You raised concerns surrounding a postcode lottery in your letter. Phase 1 of the Local Authority Delivery scheme was designed to make use of existing capacity within local authorities (LAs), and covers 225 LAs. This LA coverage represents 16.5m (70%) of the 23m homes in England. Phase 2 was specifically designed to bring in more LAs, including those that were unable to apply for phase 1 due to lack of experience with energy efficiency programmes, through a different delivery model. This will see the five Local Energy Hubs in England, which were created as part of the Government's Local Energy Programme to act as regional centres of excellence and to support local areas in their efforts, acting as the funding coordinators, helping those LAs without the existing infrastructure, procurement frameworks or expertise to access the scheme and to derive its benefits. We will continue to prioritise local authority take up as we design phase 3.

On your point regarding the allocated funding for the Green Homes Grant Voucher Scheme, the scheme was allocated £320 million for the 2021/22 financial year in total funding. This was not additional to the £1.5 billion allocated for the 2020/21 financial year, which was intended for use in that year only.<sup>2</sup>

The committee has mentioned that your survey of households did not find any evidence that Covid, and the measures taken to contain it, were having an effect on consumer appetite to have work done. However, there is other survey data, like that from the ONS,<sup>3</sup> which has a broader sample, that suggests Covid was not an insignificant factor. We recognise that the impact of Covid was one of a number of factors contributing to the difficult situation which I describe above.

This new investment will result in greater carbon savings, warmer and more energy-efficient homes, and reduced bills for many households across England. We will continue to bring forward bold measures to cut emissions, investing through our multi-billion-pound package of measures to provide the vital upgrades to our housing stock. This is key to supporting our pathway to net zero and increasing demand for insulation and low-carbon heating measures across the country, thereby maintaining our commitment to the sector to have the confidence to continue to recruit, train and support green jobs.

Yours sincerely,

**Lord Callanan**

Minister for Climate Change and Corporate Responsibility

Department for Business, Energy and Industrial Strategy

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2 <https://www.gov.uk/government/news/green-homes-grant-extended-for-extra-year>

3 <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/datasets/coronavirusandthesocialimpactsongreatbritaindata/current>