



Ministry of Housing,
Communities &
Local Government

Rt Hon Christopher Pincher MP
Minister of State for Housing

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Darren Jones MP
Chair, Business, Energy and Industrial Strategy
Committee
[By email]

Dear Darren,

DECARBONISING HEAT IN HOMES

Thank you for your letter of 6 July.

It was unclear from the terms of reference whether your inquiry on decarbonising heat in residential buildings would focus on the policy areas on which MHCLG are the lead department. However, if your committee are keen to discuss the decarbonisation of future builds and the role of the Future Homes and Buildings Standards, I agree that it may be helpful for me to attend your evidence session.

Your letter requested a response to three questions about the remit and role of MHCLG and arrangements for policy coordinating with BEIS. A response to these questions is set out in **Annex A** below.

Taking account of this information, I would be grateful if you could confirm that your committee's inquiry and the evidence session on 20 July will cover matters for which MHCLG are the lead department. If so, my officials will liaise with your team about attendance of this evidence session. I would also appreciate some detail from the clerks about the specific areas of focus for this inquiry on which I, rather than BEIS, can be helpful.

RT HON CHRISTOPHER PINCHER MP

Annex A: Response to Business, Energy and Industrial Strategy Committee questions

1. What the full remit of your Department is in the decarbonisation of domestic heat policy

Decarbonising housing is vital to delivering the Government's statutory commitment to reaching Net Zero by 2050. We will need to replace fossil fuel heating in homes with low carbon heating to achieve this. BEIS is the department responsible for most of the policies for delivering the decarbonisation of residential heat and has been developing the forthcoming Heat and Buildings Strategy. MHCLG works closely with BEIS on policies for decarbonising housing and domestic heat and the governance arrangements for this are set out in response to your question below.

In addition, MHCLG is the lead department on three policy areas relevant to the decarbonisation of domestic heat:

a) Building Regulations, the Future Homes Standard and Future Building Standard

MHCLG is the department responsible for the Buildings Regulations and has a leading role on new homes. We are committed to delivering better, more beautiful greener homes as we increase supply and extend home ownership.

From 2025, the Future Homes Standard (FHS) will ensure that new homes produce at least 75% lower CO₂ emissions compared to those built to current standards, with low carbon heating and very high fabric standards. This represents a considerable improvement in energy efficiency standards for new homes. Homes built under the FHS will be 'zero carbon ready', which means that in the longer term, no further retrofit work for energy efficiency will be necessary to enable them to become zero-carbon homes as the electricity grid continues to decarbonise.

With implementation starting from 2025, the Future Buildings Standard (FBS) will produce highly efficient non-domestic buildings which use low-carbon heat and have the best fabric standards possible, ensuring they are better for the environment and fit for the future.

We must ensure that all parts of industry are ready to meet the FHS and FBS from 2025, which will be challenging to deliver in practice, by supporting industry to take a first step towards the new standards. In 2021, we will introduce an interim uplift in Part L standards that delivers a meaningful reduction in carbon emissions and provides a stepping stone to the FHS and FBS. From 2021, new homes will be expected to produce 31% less CO₂ emissions compared to current standards. This will deliver high-quality homes that are in line with our broader housing commitments and encourage homes that are future-proofed for the longer-term.

b) Energy Performance of Buildings regulations

MHCLG is responsible for the Energy Performance of Buildings (EPB) framework, which was introduced in phases from 2007 to support decarbonisation of existing homes and buildings by encouraging take-up of energy efficiency measures. It is implemented by the Energy Performance of Buildings (England and Wales) Regulations 2012, as amended (the EPB Regulations).

The key elements of the framework are Energy Performance Certificates (EPCs), Display Energy Certificates (DECs) and Air Conditioning Inspection Reports (ACIRs). While the EPB Regulations do not mandate carbon savings, this framework is intended to encourage and support building owners and occupiers to invest in improved energy efficiency through:

- Enabling prospective buyers and tenants to compare expected energy bills and carbon emissions of different properties; and,

- Providing owners and occupiers with information on the current performance of different building elements, recommendations for cost-effective improvements and signposting to other sources of advice.

The framework also supports policy makers with information on the energy performance of the existing building stock and how this changes over time.

In 2018, we published a Call for Evidence on the effectiveness of the EPC regime. In response to this we published the EPC Action Plan in September 2020, which we are now taking forward, to improve EPC certificates, including how they support consumers to improve energy performance, and to make better use of the data stored on the EPC Register.

We are now exploring wider reforms to the EPB framework to support their increasingly important role as an enabler of other government policies to deliver the Net Zero target. This includes their use as a regulatory benchmark, such as in BEIS-led policies to mandate minimum energy efficiency standards in the Private Rented Sector.

c) The Decent Homes Standard

MHCLG is the department responsible for the Decent Homes Standard (DHS). Since 2001, the DHS has played a key role in ensuring a minimum quality for the standard that social homes should meet and today, social homes are more energy efficient than homes of other tenures with most dwellings (61%) in EPC Bands A to C. We are reviewing the DHS to consider whether it needs to be updated to ensure it is delivering what is needed for safety and decency now. Part One of the review to consider the case for change is underway and due to conclude in Summer 2021. If the evidence demonstrates that we need to revise the Standard, we will consider the case for new criteria as a second stage of the review. A timetable will be set at that time.

This review will consider how the DHS can work to support better energy efficiency and the decarbonisation of social homes. Social rented homes are required to have efficient heating and effective insulation as set out in the current DHS set in 2006. This is broadly equivalent to EPC band F. Our review will first consider whether the thermal comfort criteria within the DHS is fit for purpose, taking into account the Government's ambition, as set out in the Clean Growth Strategy, that all rented homes are to meet EPC C by 2035 and the commitments in respect of Net Zero. The target relates to as many homes as possible, not just rented homes. The specific target for rented homes (Private Rented Sector) was a trajectory to EPC Band C by 2030 where cost-effective, practical and affordable. For social housing (SRS) the strategy stated an ambition to deliver to the same trajectory with the same criteria. If there is a case for change, we will then consider the strategic, management, financial and economic case for new criteria.

2. What role your Department plays in coordinating with local authorities on the decarbonisation of domestic heat

Local government are key delivery partners and place-shapers and play a role in driving local climate action. Local authorities have direct control and indirect influences to implement many of the national priorities, including in relation to housing, which will be needed to achieve net zero. As the stewards for the local government sector, MHCLG is committed to a sustainable and resilient local government sector that delivers priority services and empowers communities. We assess the ability of local authorities to remain financially sustainable and retain responsibility for the overall stability of the local government finance system. Government policy relating to delivery of local services sits with the relevant lead departments, such as BEIS in the case of delivering the government's ambitions for net zero.

MHCLG supports BEIS, other departments and local authorities by managing the New Burdens Doctrine, which ensures councils are funded to deliver core functions, and funding the sector support programme, which includes centralised support for climate action. We also support local

delivery of net zero by working with other departments to advise, encourage and sometimes facilitate cooperative working between departments where separate policy areas converge on local delivery, and engagement between Whitehall and the local sector to ensure policy design is informed by the reality facing local authorities.

MHCLG has a limited role in coordinating with local authorities on policies specifically focused on the decarbonisation of domestic heat. However, we do take a proactive interest in engaging with BEIS on the clean heat programmes that they are responsible for which involve local authorities as vital delivery partners. These includes grant funding initiatives such as Local Authority Delivery (LAD), Home Upgrade Grant (HUG) and Social Housing Decarbonisation Fund (SHDF) schemes and the delivery of heat networks through the Heat Network Transformation Programme.

3. What coordination there is between your Department and the BEIS department in heat decarbonisation policy

MHCLG works closely with BEIS on heat decarbonisation policy at both official and Ministerial level, through bilateral meetings with BEIS Ministers.

Officials work together routinely on key aspects of policy, for example through the development of relevant chapters of the Net Zero Strategy. Cross-departmental governance structures reflect this, for example the Heat and Buildings Strategy and Delivery Board, jointly chaired by BEIS and MHCLG Directors, was recently established to coordinate our departments' shared interests in decarbonising almost all buildings by 2050. This Board reviews progress across the Heat and Buildings Portfolio and discusses new policies that can close the carbon budget gaps.

Although BEIS hold the majority of the policy levers for heat and buildings, MHCLG is responsible for the new build delivery metric within the jointly owned heat and building reporting for the National Strategy Implementation Group (NSIG), and has contributed to the upcoming Heat and Buildings Strategy.