

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1, Horse Guards Road
London
SW1A 2HQ

18th February 2021

Dear Chancellor,

Re: Green Homes Grant scheme success essential for a green recovery

We are writing as members of the Energy Efficiency Infrastructure Group (EEIG) – a broad-based coalition of over 25 industry groups, NGOs, charities and businesses – to signal our concern at reports that the underspend from the £1.5bn tranche of the Green Homes Grant will not be rolled over. We urge you to ensure that a full rollover of unspent funds is confirmed and topped up at the Budget. This will be essential to underpin the confidence of the retrofit industry which, despite widespread early setbacks with the administration of the scheme, is beginning to ramp up to deliver at scale. Long-term certainty and sustained investment from government are key for giving industry the confidence to invest in the skills and supply chain needed to deliver on a green recovery and create jobs across the country. Now is the time to invest in the sector – not to withdraw funding – and we seek to work constructively with Government to make the scheme a long-term success.

The group strongly welcomed the Government's announcements last year to focus on homes as a central pillar of the UK's green recovery strategy, with the Green Homes Grant a landmark stimulus measure. The EEIG noted in June 2020 that any stimulus measures must be long-term, with a sustainable exit-strategy.ⁱ Industry has been bruised in the past by boom-and-bust retrofit cycles linked to short-term policies, which has resulted in jobs losses and declining delivery rates. The number of green home installations halved in one year following the end of a home improvement cash-back scheme in 2016, and broader changes in policy have resulted in the number of energy efficiency measures being installed per year dropping from around 700,000 in 2013/2014 to just under 200,000 in 2018/2019.ⁱⁱ Despite this, industry responded positively to the promise of significant guaranteed funding to March 2022: expanding the number necessary certifications, boosting workforces and promoting the grant. The scheme was met with high levels of consumer demand, even amid the pandemic. Polling showed that two-thirds of homeowners in England are interested in the grant.ⁱⁱⁱ Over 103,000 vouchers have been applied for. However, only 21% have had vouchers issued, 2,777 measures have been installed and just 904 vouchers have been paid.^{iv}

We therefore do not recognise comments that the problem with the scheme was with take-up.^v Rather, the early problems have been associated with its execution and delivery – including delays in processing vouchers, an overly complex customer journey and delayed payments to installers for works undertaken. Industry has engaged constructively with BEIS to offer solutions to ensure the scheme can deliver its full potential. There are steps that Government can take to resolve the administrative problems, including settling late payments to installers as a matter of urgency, streamlining the application process to ensure a greater number of vouchers are issued, and protecting consumers by maintaining quality assurances such as TrustMark accreditation. In contrast, withdrawing the unallocated portion of the £1.5bn funding would fundamentally undermine the confidence of businesses, financial institutions and consumers to invest in green homes. It could also result in jobs losses among

firms who have invested in the scheme, with delayed payments to installers already putting jobs at stake.^{vi}

Ministerial comments that the underspend will not be rolled over are at odds with earlier signals that the Government would support the scheme into the long-term. When the Government committed to extend the scheme for a year, it was noted: *“The PM’s extension for the Green Homes Grant is until the end of March 2022 for the £1.5bn voucher element, and until the end of December 2021 for the £500m Local Authority Delivery element.”*^{vii} This commitment – which provided much-needed confidence to industry to continue investing in the scheme – now appears to have been rescinded.

Only a long-term programme can provide the economic, social and environmental benefits associated with a focus on green homes,^{viii} support the Government’s important levelling up agenda and make real progress towards achieving the net zero target. A well-executed home decarbonisation programme could support nearly 200,000 green jobs to 2030 in energy efficiency and low carbon heat across the UK.^{ix} Larger and more widespread energy cost savings can reduce household energy expenditure by £7.5bn per year, freeing up money to boost household spending in other areas.^x This in turn can drive economic expansion and support job creation in the wider economy. The success of the Local Authority Delivery element of the scheme further shows that now is not the time to halt momentum on the green home agenda.

The UK has made commitments to a green recovery, and risks undermining its credibility on the global stage at the COP26 and G7 summits if it allows its keystone green stimulus measure to fail. We therefore urge you to confirm that the Green Homes Grant underspend in 2020/21 – potentially £1.4bn – will be rolled over in full at the Budget, with commitments to bring the total committed to buildings decarbonisation to £3.6bn in 2021/22.^{xi} To get on track to net-zero, a further £11.3bn is needed to support this infrastructure priority for the remainder of this Parliament over 2022/23 to 2024/25, alongside confirmation of the Homes Upgrade Grant and social housing decarbonisation fund pledges from the Conservative Manifesto.

We would welcome the opportunity to meet with you to discuss these points further and how the Energy Efficiency Infrastructure Group can support the Treasury’s mission to build back better. If this is of interest, we can be contacted at sarah@theeeig.co.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sarah Kostense-Winterton', is positioned above the printed name.

Sarah Kostense-Winterton
Chair, The Energy Efficiency Infrastructure Group

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About the Energy Efficiency Infrastructure Group

The Energy Efficiency Infrastructure Group is a growing and broad-based coalition of over 25 industry groups, NGOs, charities and businesses asking for rapid improvement in energy efficiency policy for UK homes and buildings. While it represents the views of the EEIG as a whole, this letter does not necessarily represent the views of its individual members.



ⁱ https://www.theeig.co.uk/media/1091/eeig_report_rebuilding_for_resilience_pages_01.pdf

ⁱⁱ <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-january-2021>

ⁱⁱⁱ <https://eciu.net/news-and-events/press-releases/2020/poll-shows-demand-for-green-homes-grant-set-to-outstrip-supply>

^{iv} <https://www.gov.uk/government/statistics/green-home-grant-vouchers-release-february-2021>

^v <https://www.businessgreen.com/news/4027031/shambles-green-homes-grant-scheme-budget-cut>

^{vi} <https://www.theguardian.com/environment/2021/jan/28/green-homes-grant-uk-standards-body-calls-on-government-to-pay-up#:~:text=Installers%20of%20renewable%20energy%20systems,the%20public%20off%20the%20scheme.&text=The%20grants%20%E2%80%93%20of%20%C2%A35%2C000,make%20homes%20more%20energy%20efficient.>

^{vii} <https://www.gov.uk/government/news/green-homes-grant-extended-for-extra-year>

^{viii} <https://strathprints.strath.ac.uk/71580/>

^{ix} https://www.theeig.co.uk/media/1099/eeig_report_turning_stimulus_into_recovery_pages_web.pdf

^x <https://ukerc.ac.uk/news/unlocking-britains-first-fuel/>

^{xi} This comprises the £1.4bn underspend, the £1bn allocated for the coming financial year through November’s Spending Review, and the £1.2bn gap identified by the Energy Efficiency Infrastructure Group (EEIG).