

HEAT & BUILDINGS STRATEGY

THE BENCHMARKS FOR SUCCESS

The greatest challenge we face on the path to net-zero is the decarbonisation of buildings, with buildings responsible for around 23% of the UK's greenhouse gas emissions. Following the scrapping of the Green Homes Grant voucher scheme, there is a major policy and funding gap. Urgently addressing this gap will ensure we get on track for deep emissions reductions; providing long-term industry confidence, boosting skills and supply chains to decarbonise all housing tenures.

The Department for Business, Energy and Industrial Strategy's (BEIS) forthcoming Heat & Buildings Strategy must serve as the blueprint for decarbonising buildings this decade. A comprehensive and ambitious plan is needed for the UK to meet climate targets, create hundreds of thousands of new jobs in supply chains across the country, reduce energy bills and provide a sustained economic boost that aids a green recovery. The Strategy is the essential vehicle for establishing the policies and regulatory framework needed to provide households, businesses and financial institutions the long-term confidence to invest in homes, skills and supply chains. The delivery of the Strategy should be supported by Treasury and the Ministry of Housing, Communities and Local Government, as well as other relevant departments and devolved administrations.

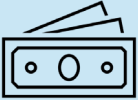


The Energy Efficiency Infrastructure Group has six priority areas related to: governance; public capital; able-to-pay incentives; regulation; local and fair delivery; and advice and standards. This short briefing builds upon previous reports to set out the benchmarks for success.¹

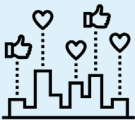



Governance

- **Reflect updated climate targets and carbon budgets:** The Strategy must be aligned with the UK's new Nationally Determined Contribution to reduce emissions by 68% by 2030, and the Climate Change Committee's (CCC) Sixth Carbon Budget. This will require updating targets and milestones, including:
 - **Bringing forward the EPC C target from 2035 to 2030**, as part of a longer-term roadmap to fully decarbonise UK homes – **improving EPCs** as a yardstick for decarbonising homes through the EPC Action Plan – while continuing to prioritise fuel poor homes and factor cost considerations.
 - **Setting a new target to halve emissions from heating existing homes** by 2030 through energy efficiency and the decarbonisation of supplied heat. Set annual targets for heat pump deployment, aligned with CCC's 'balanced pathway', supporting a steady and sustainable market.
 - **Ensuring that affordability is centrally considered**, with sustained, targeted support for low income households to end energy inefficiency as a driver of fuel poverty, meeting statutory fuel poverty targets.
- **Establish governance, delivery arrangements and architecture that support a locally led approach** for the Strategy's implementation, learning and refinement, considering the respective roles and responsibilities for central government and local bodies. Take on board the role of the UK's new **Infrastructure Bank** – focusing on local bodies and prioritising the built environment within its investment approach – and establish local 'zoning' for area-based approaches to decarbonising heat and retrofits, beyond heat networks. Establish an **independent delivery body** working in close coordination with regional and local bodies.

¹ https://www.theeeig.co.uk/media/1099/eeig_report_turning_stimulus_into_recovery_pages_web.pdf

	<ul style="list-style-type: none"> • Institute a fabric and energy efficiency first principle: The strategy should ensure that energy efficiency and heat policies are fully joined-up, ensuring that homes benefiting from a heat pump are properly insulated, and that the fabric is performing well in reality – a fabric first approach. This is vital for maintaining comfort levels, reducing energy bills and promoting the most cost-efficient decarbonisation option in most cases. • Support a flexible, smart and efficient system; with policy drivers that make the link between electricity demand side response and home heating (avoiding consumption at peak times), that can benefit occupants and make the transition to significant variable renewable energy on the grid. • Initiate establishment of a Heat Pumps Sector Deal, mirroring Scotland, to build and attract investment to the market for efficient electric heating.
 <p>Public capital</p>	<ul style="list-style-type: none"> • Confirm total investment requirement to meet 2030 targets – including for a further £8.2bn of public capital for energy efficiency and £5.5bn for heat pumps to 2025, leveraging additional private finance – and map further investment needed to 2050. This public contribution to investment needs to be confirmed in this year’s Spending Review. • Confirm full Manifesto pledges to underpin rapid decarbonisation of social housing, scaling supply chains, jobs and skills across the country. • Connect with the green finance agenda to accelerate the launch and diffusion of new products and services to leverage private investment.
 <p>Adequate able to pay incentives</p>	<ul style="list-style-type: none"> • Establish successor arrangements for the Green Homes Grant voucher scheme commensurate with the energy efficiency investment that needs to be unlocked to achieve EPC C for all homes by 2030. Grants will remain a crucial part of the mix for ‘able to pay’ homes, alongside new fiscal incentives – such as Green Stamp Duty, capital allowances for landlords, zero rate VAT for renovations introduced by Treasury; and financing offers from the new UK Infrastructure Bank, for example 0% interest loans. • Establish long-term arrangements through Clean Heat Grant and Green Homes Grant, supporting heat: Ensure continued availability of a grant for heat pumps to meet new Government targets and deliver a mass market by 2030, and ensure heat networks investment can scale up. This needs to be supported by mechanisms that capture the value of heat as a flexible load and energy tariffs that reward flexible heat demand. Additional support and advice will be required for low income and fuel poor homes. • Use behavioural science approaches to promote action and uptake; ensuring adequate opportunities and capabilities, with interventions at ‘trigger points’ when property owners may consider retrofits.
 <p>Regulation to drive demand</p>	<ul style="list-style-type: none"> • Minimum Energy Efficiency Standards (MEES): Publish the trajectory for MEES required of the private-rented sector based on the stretch ambition that requires both energy and carbon efficiency ratings to be met. Propose equivalent standards for social housing. Crucially, introduce MEES for the owner-occupied sector – modelled on timelines proposed in Scotland, and introduced as part of a holistic suite of incentives and support to protect against risks of ‘mortgage prisoners’. We note it will be essential to scale skills and supply chains among SMEs to get on track with the owner occupier sector, with different delivery models compared to schemes like ECO and LAD, run by larger companies. • Set a trajectory for the phase-out of fossil heating system sales, with a backstop ban for fossil gas boilers. Limit the prospect of ‘hydrogen ready’ boilers to industrial clusters where surplus green hydrogen will be available. • Set a roadmap for a phased introduction of the Future Home Standard from 2023, accelerating the timeline ahead of 2025 with the full technical consultation taking place in 2021/22.

 <p>Local and fair delivery</p>	<ul style="list-style-type: none"> • Set out long-term successors to the Local Authority Delivery (LAD) scheme and planned support for Local Energy Hubs-led delivery. Clarity is required on how the LAD scheme will evolve into a Local Authority-led delivery programme, with a role for SMEs and large companies. We welcome that BEIS seeks to consult on 'zoning' as an approach to inform heat decarbonisation, and hope to see this reflected in the Heat & Buildings Strategy, setting out a systematic approach to equip all Local Authorities with the funding, mandate and coordination capacity required. • Build investable local propositions: Through the UK Infrastructure Bank, and working alongside Local Energy Hubs, support Local Authorities and other local actors to prepare investable local heat and energy efficiency plans. These plans should draw on the practical experiences of the Heat Networks Delivery Unit, with expanded content and geographical scope. Measures to encourage 'whole neighbourhood' retrofits can support stronger local engagements and lower costs for all. • Coordinate local delivery approach in close alignment with the new Fuel Poverty Strategy by requiring local plans to prioritise low income and vulnerable households living in inefficient homes. • Put forward an update of consumer protections to ensure that the rights of consumers are protected through the transition.
 <p>Advice and standards</p>	<ul style="list-style-type: none"> • Ensure EPCs are fit for purpose through the EPC Action Plan, including real fabric performance measurements of new and existing homes. A roadmap for moving to measured energy and carbon performance should be set out. • Roll out the remainder of the Each Home Counts and Hackitt reviews' recommendations as the supply chain and infrastructure scales up. • Boost innovation, supply chains and skills – focused on scaling up capacity for PAS 2035 and other relevant standards, TrustMark accreditation, and end-to-end quality assurance processes – tapping into the Lifetime Skills Guarantee and the Green Homes Grant Skills Training Competition. Support industrial strategy agendas, including an accelerated Clean Growth Buildings Mission, backed by the Transforming Construction Challenge Fund, that meets a demonstration goal to halve all energy consumption in new buildings and halve the cost of retrofitting to that standard by 2025. • Drive digitalisation forwards – leveraging Trustmark's data warehouse and establishing official protocols for metered energy savings, energy performance verification and building renovation passports. • Connect the adaptation, resilience and circular economy agendas by setting standards for sustainable construction materials and techniques to manage climate impacts in buildings and heating systems across their lifecycle. This could include a review of embodied carbon; circular design and construction; a review of potential toxic or harmful chemicals and substances; and the accelerated phase-out of F-gases in heat pumps. • Make public engagement a vital part of the Heat & Buildings Strategy to ensure that the issues of home decarbonisation are properly understood. This should include the launch of a public engagement campaign, informing consumers about the importance of home decarbonisation, the UK's long-term vision and consumers' role in the transition. Consumers should be provided with impartial, localised and easily accessible advice from trained advisors on green home retrofit options and access to finance.

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