

Energy Security Starts At Home

The Energy Efficiency Investment Imperative

Spring Statement Briefing March 2022

The Challenge

- Soaring global gas prices are fuelling a **cost-of-living crisis** in the UK, with economy-wide impacts. Ofgem has announced an increase in the energy price cap to £1,971 per year.
- While supporting vulnerable households is the immediate priority; the Spring Statement is also a chance to **reduce exposure to volatile international gas markets** by investing in long-term solutions like warmer homes, boosting energy security.
- Households in Levelling Up priority areas are most exposed to soaring energy prices, living in the **least efficient homes** (rated EPC D and worse), and are more likely to be on low incomes. These include 37 of the 40 most marginal constituencies including Bury North and South (73% D or below), Bolton NE (61%) and Stoke on Trent Central (73%).¹

The Opportunity

- Improving the least efficient homes currently rated 'D' or worse for energy performance to 'C' would **save households over £500 per year**, an aggregate saving of £8bn.²
- Reducing spending on energy will free up consumer spending and **boost growth** in **Levelling Up priority areas** in the North and Midlands.
- A nationwide retrofit scheme could support nearly **100,000 jobs in every region in 2022-24**.³ Many jobs will be in levelling up areas, since this is where many upgrades are needed. In Wolverhampton alone, 1,370 jobs in retrofits would be supported by 2030.⁴
- It could **save the NHS £1.4bn** per annum caused by fuel poverty and unhealthy homes.⁵

¹ <https://eciu.net/analysis/reports/2022/levelling-up-or-letting-down>

² <https://www.e3g.org/publications/responding-to-uk-gas-crisis/>

³ <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/05/Construction-Leadership-Council-National-Retrofit-Strategy-Version-2.pdf>

⁴ <https://eciu.net/analysis/reports/2022/levelling-up-or-letting-down>

⁵ <https://www.bregroup.com/press-releases/bre-report-finds-poor-housing-is-costing-nhs-1-4bn-a-year/>

Options for the Chancellor

While there has always been a compelling case for making energy efficiency a national infrastructure investment priority, the current gas crisis has now made this imperative. Our recommendations include:

- 1) **Deliver the final £2bn promised in 2019.** This would allow the government to reach the £9.2bn promised in the Conservative 2019 manifesto for green homes and buildings.⁶ Specifically the final sums needed are for the Homes Upgrade Grant (£1.4bn), Social Housing Decarbonisation Fund (£200m) and Public Sector Decarbonisation Fund (£400m).
- 2) **A new nationwide retrofit scheme:** The EEIG calculates that an energy efficiency subsidy worth £1.2bn per year is needed across 2022-25 to get on track for the government's climate, fuel poverty and levelling up targets – taking on board lessons from previous schemes to ensure effective delivery.
- 3) **A set of measures to spur private investment:** Pave the way to green homes finance at scale with attractive incentives that spur action and investment, including:
 - a) Make the built environment a priority of the UK Infrastructure Bank, reducing the financing cost and drawing in capital markets to back new green financial products at scale, including 0% loans to households and SMEs.
 - b) Energy Saving Stamp Duty to support a shift from subsidies, introducing an incentive at a key 'trigger point' where a homeowner is likeliest to take action to retrofit their home
 - c) 0% VAT on retrofit measures to lower the costs and incentivise investment.
- 4) **Support a wider suite of measures needed to underpin a nationwide retrofit drive,** announcing the intention to bring in minimum energy performance standards for owner occupiers, a focus on green skills, an impartial consumer advice and support service which offers tailored advice, and public engagement and communications campaigns.⁷

About the Energy Efficiency Infrastructure Group (EEIG)

The EEIG is a 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. Massive improvements in energy efficiency are the litmus test for a credible pathway to net zero emissions and ending fuel poverty. While it represents the views of the EEIG as a whole, this briefing does not necessarily represent the views of its individual members.

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Please note the position taken by the Energy Efficiency Infrastructure Group (EEIG) does not necessarily reflect the views or priorities of all members.

⁶ https://www.theeeig.co.uk/media/1114/eeig_analysis-of-the-heat-and-buildings-strategy_03.pdf

⁷ These have been set out here: https://www.theeeig.co.uk/media/1114/eeig_analysis-of-the-heat-and-buildings-strategy_03.pdf and here: <https://electrifyheat.uk/wp-content/uploads/2021/12/Electrify-Heat-Briefing-December-2021-Training-Trust-and-Tariffs.pdf>