

Energy Efficiency Infrastructure Group: Response to the Energy Security Plan

Energy security starts at home in the home, but the Energy Security Plan falls wide of the mark. While the Prime Minister is right that “*making homes and businesses more efficient so you need to use less energy in the first place*” is the place to start, the Strategy barely gets off the starting blocks. Measures such as the VAT cut on retrofit are welcome, but more action will be needed to retrofit our homes and reduce energy bills before a further surge in energy prices expected this autumn.

As the Energy Efficiency Infrastructure Group has recently set out, [energy efficiency is the ‘no regrets’ solution](#) to the energy crisis, climate crisis, and levelling up agenda. Today’s Strategy focuses mainly on energy supply which does little to reduce bills or reduce our exposure to expensive and volatile gas markets.

Simply put, it is possible to realise the rapid benefits that demand-side measures can offer. For example, expanding the Energy Company Obligation fuel poverty scheme with £200m per year until 2026 could have helped around 100,000 additional homes – and potentially 25,000 this year alone.

Households in Levelling Up priority areas are the most exposed to fast rising energy prices. They often live in the least efficient homes – rated EPC D and worse – and are more likely to be on low incomes. At current energy prices, any household upgrading from an EPC D rating to a C or higher could see bill savings of £500 or more per year. But most will need financial help to do so.

Overview of green home measures included in the Strategy

- **New:** Confirming that energy performance standards across all housing tenures will be announced in May, phased in over the long-term.
- **New:** Expanding UK heat pump manufacturing with a Heat Pump Investment Accelerator Competition in 2022 worth up to £30m.
- **New:** Improved support and advice for consumers and small businesses this year on the steps they can take to make their homes more efficient to run, with some local advice projects.
- **New:** Taking steps to boost green homes finance, doubling innovation funding for new green finance products to £20m and introducing a scheme under which lenders will work to improve the energy performance of the properties against which they lend.
- The £450m Boiler Upgrade Scheme and VAT cut on green home retrofit measures announced at the Spring Statement and 2021 Spending Review.
- ‘Rebalancing’ the costs placed on energy bills away from electricity to ensure heat pumps are comparatively cheap to run over time, publishing proposals this year, as announced at the Heat and Building Strategy.

Analysis: The good, the bad and the ugly

- Clear signals on the introduction of energy performance standards across all housing tenures – critically including owner occupiers, who represent the majority of homes – will be an essential demand driver to get on track for boosting energy efficiency. As the [EEIG has previously noted](#), regulations should be introduced as part of a holistic suite of incentives and support to mitigate risks of unintended social consequences.
- Also welcome are improvements to the advice available for homeowners looking to improve their homes. This should be scaled up over time to replicate the success of the Home Energy Scotland model. The cut on VAT for green home measure is a welcome measure for those

who can already afford the upfront costs of purchase. Reducing heat pump running costs by removing legacy policy costs from electricity bills is also an important step forward.

- The Strategy was needed to address the urgent matter of soaring energy bills this year. However, it has done little to support struggling British households to retrofit their cold and leaky homes this year through fulfilling the Conservative's manifesto pledges for low-income households or launching a new, long-term national energy efficiency subsidy scheme.
- Spurring green homes finance at scale will be essential for supporting homeowners, but more will be needed to drive demand for green mortgages (for example with a Green Stamp Duty) and through the provision of attractive concessional loans through the UK Infrastructure Bank.

What must come next?

Focusing on the Autumn Budget and forecasts of further energy bill rises, attention must remain on helping people to save energy and reduce energy waste. That means long-term political commitments and policies to mobilise public, private and blended finance for energy efficiency.

The EEIG has published a [Better Building Investment Plan](#) advocating measures to effectively mobilise capital, whilst working in close collaboration with industry and local delivery partners, to vitally ensure funds and projects can be effectively and practically delivered on the ground. Key recommendations include fulfilling Conservative manifesto pledges to support low-income households, launching a new nationwide energy efficiency subsidy scheme, and introducing structural incentives like Energy Saving Stamp Duty and concessional loans through the UK Infrastructure Bank.

Supercharging green homes finance will require a supportive regulatory ecosystem. The Heat and Buildings Strategy went some way towards signalling the changes that need to be made to our homes and buildings this decade. However, [EEIG's analysis highlighted](#) that it fell short on a number of crucial areas needed to give homeowners, industry and financial institutions the clarity and confidence to act and invest. Key recommendations to address these policy gaps include confirming an accelerated approach to regulating the carbon performance of all tenures, supporting skills and supply chains, and boosting nationwide public engagement and consumer advice.

The Energy Efficiency Infrastructure Group and its members are committed to work with government to develop effective solutions which will deliver now and into the long-term.

For further information please contact juliet@theeeig.co.uk or sarah@theeeig.co.uk

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