

UK retrofit challenge in the social housing sector

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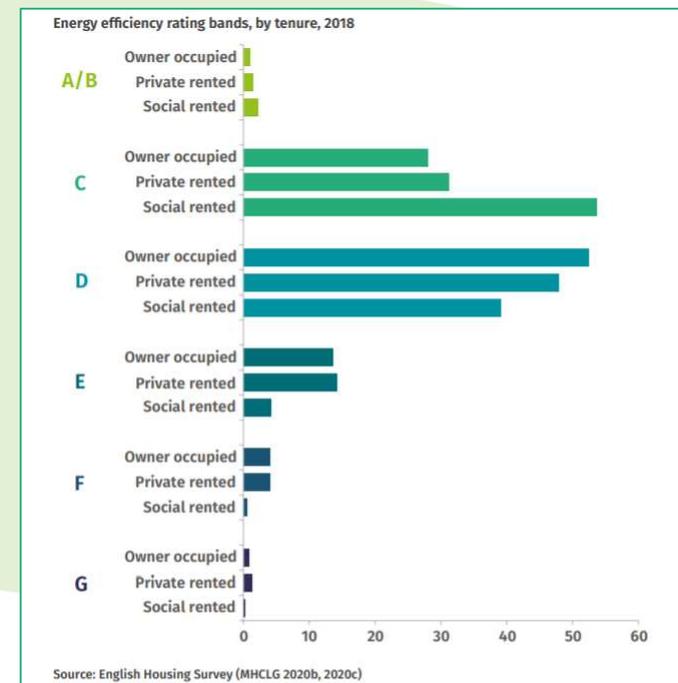
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The social rented sector has a better starting point

- › Dwellings in the social rented sector are significantly more energy efficient than those in other tenures



- › The majority of homes in the social rented sector are rate EPC C or higher



- › But there are still around 1.7 million social homes that are below EPC C and may be more difficult to treat

Opportunities

- › Substantial bill savings for tenants
- › Developing the retrofitting supply chain for other tenures
- › A model for positive communication and engagement with tenants
- › Demonstration of whole-house heating approaches

Challenges

- › Cost (on average just under £10,000 per home but higher for harder to treat homes)
- › Quality of insulation
- › Disruption and awareness
- › Capacity

Cost

- › Financial support for upfront costs, funding programmes can take a long time to be approved and do not fit with short-term government grants
- › Housing associations may face higher borrowing costs than local councils
- › Ensuring costs are not passed onto tenants unless bill savings are guaranteed
- › Energy efficiency and policy reform of electricity bills essential to lower running costs
- › Private financial solutions (e.g. green mortgages still quite nascent)

Quality of insulation

- › Need for long-term policy to give industry confidence
- › Enforcing high-quality installation
- › Ramping up the scale of training to provide high-quality installing
- › Need to bring together energy efficiency and low-carbon heating

Disruption and awareness

- › Disruption to households
- › Variation of housing stock
- › Clear communication to raise awareness and provide information

Capacity

- › Local authority capacity
- › Street-by-street approaches may include different tenures which will require capacity to engage and create opt-in programmes
- › Need for clear performance-based measurement

Current policy environment in the UK

- › Insufficient funding – a gap of £7 billion from 2020 to 2025
- › SHDF is underfunded and delivering slowly
- › Some good examples – LADs, HUGs in England, Arbed and Nest in Wales, Home Energy Scotland (and associated policies)
- › Limited support for scaling up skills
- › No serious advice service in England and too complicated for many households to navigate schemes on their own
- › Problems with targeting and prioritising homes

What are we proposing?

- › Regulation (standards)
- › Ramping up industry capacity (skills)
- › Financing (cash)
- › Effective delivery (comms & capacity)

Standards

- › 2023:
 - › Require boiler manufacturers to have a certain percentage of their sales from heat pumps, increasing over time.
- › 2028:
 - › Ban sale of oil boilers
- › 2030:
 - › Introduce **Whole House Heat** standard requiring energy efficiency measures and low-carbon heating to be installed together (voluntary industry standard introduced in 2023)
 - › All social homes to meet EPC of B
- › 2033:
 - › Ban sale of gas boilers

Skills

- › Expanded training standards to encourage installation of energy efficiency and low-carbon heating together (or at least training to ensure installations are compatible with each other)
- › A new Green Transition Fund that will pay for training course costs
- › Increase capacity to verification and accreditation bodies and ban 'pay to pass' training

Cash

- › Increasing funding for Social Housing Decarbonisation Fund to £3.6 billion per year, at least half of which would come from public funding
- › Full grants for fuel poor homes
- › An important caveat that this is a maximum ambition scenario where costs represent ultra-high energy efficiency retrofits that would likely go well above EPC C and likely above EPC B
- › Private financing options include:
 - › Green mortgages
 - › Demand-aggregated financing (with interest rate paid by government)
 - › Community municipal bonds

Comms and capacity

- › Roll out a national information campaign at the UK level complemented by a national energy advice service
- › Introduce ‘building renovation passports’ at the household level that provides clear, personalised information about how to retrofit your home and the financing and advice available
- › Increase local authority capacity and sharing data to deliver area-based approaches to retrofitting
- › Integrate real-use performance measurement into building retrofits to build confidence in the performance of insulation and low-carbon heating