UK100 Resilient Recovery Taskforce

Local path to Net Zero policy briefings: Heat and Housing

February 2021

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Introduction

Following the launch of the Resilient Recovery Taskforce in September 2020[1], UK100 convened a series of workshops with local authority members and experts from the clean energy sector to share insights on local on-the-ground delivery and to identify priorities for action.

This briefing paper sets out the key policy priorities that will enable the UK to meet the challenge of retrofitting buildings to improve energy efficiency and to decarbonise heat.

The Covid-19 crisis has highlighted the fragility of our economic structures, their vulnerability to external shocks and the need to support people in our poorest communities. The action now needed to revive our economy must be built on tackling climate change in ways that create benefits for people in the short term and builds support for a rapid and fair transition away from dirty fossil fuels. Such an approach will enable us to reskill our workforce, create jobs, establish cleaner, healthier, safer places to work and live, and restore the nature upon which we all rely.

The UK Government needs the involvement of local leaders to meet its legally binding Net Zero commitment. They understand the local context, are able to respond effectively to local crises, are engaged with communities and stakeholders, and have the democratic legitimacy to help their communities to bounce back. A group of twenty-four mayors and local leaders, representing twenty-five million people across the country, has established the Resilient Recovery Taskforce and has called on the Chancellor to commit to a 'New Deal for Green Skills and Growth'. Furthermore, UK100 research in July 2020 recommended that the investment required to meet Net Zero would be delivered most effectively through a new Net Zero Development Bank, working in partnership with UK local authorities, to mobilise private investment[2].

Retrofitting existing buildings in the UK is arguably the most important infrastructure challenge for meeting Net Zero and will require investment at scale alongside planning. While the Government's pledge of over £9 billion for energy efficiency over the next decade is welcome, this is not enough to meet the scale of the challenge; policies on buildings and heat also lag behind what is required[3]. There will be a need to roll out district heating networks, heat pumps, solutions for off-gas-grid properties and hydrogen technology, and to drive up demand, unfamiliarity with fossil fuel heating alternatives will need to be addressed through public awareness.

Participants in the workshop identified three key areas that need to be addressed in order to accelerate the retrofitting of existing buildings in the UK and to drive the decarbonisation of heat: **A new legislative framework, a new funding framework, and investment in jobs and skills**.

A new legislative framework

There needs to be a consistent and long-term policy framework which provides certainty for investment in innovation and the supply chain. The Government has set out in the 2017 Clean Growth Strategy that all fuel-poor homes should be upgraded to EPC Band C by 2030, and that all homes should be upgraded to EPC Band C by 2035[4]. Without this being put into law, however, there is little incentive for the supply chain to invest in trying to meet those targets. Moreover, the policy framework must treat heating and homes as part of a holistic approach that deals with the whole energy system, rather than as a separate policy silo.

Within a national framework, decision-making and implementation need to be devolved to local authorities who understand the needs of their local areas. Local authorities face different challenges in terms of decarbonising heat, such as age, type and density of building and whether properties are currently off the gas grid. Therefore, a one-size-fits-all approach will not work. Decarbonising heat in off-grid communities where there are often diverse types of property as in the case of Swaffham Prior[5], will require additional planning and resources.

A regulatory framework needs to be developed to set standards for the sector and allow for a level playing field between heat and other energy sources. This will provide an incentive for investment in innovation and the supply chain. The relative low costs of gas and oil mean that it is difficult to build a business case for low carbon heating solutions and ensuring greater parity would be a key driver of retail consumer behaviour. Additionally, the lack of standards and regulations in the heat sector has resulted in the use of inappropriate technology and high costs - resulting in poor levels of public trust in the sector. While there is a voluntary code of conduct for heat network operators, for example, not all suppliers are members - meaning that developers are sometimes wary about getting involved in such schemes.

Local authorities need the powers and resources to be able to set and enforce higher standards for heating and energy efficiency in new developments. Current planning legislation limits the ability of local authorities to set higher standards with regard to heat and energy efficiency in new developments. A first step would be to bring forward the date for the introduction of the Future Homes Standard.

A new funding framework

Long term funding commitments from the Government will be required to provide certainty for investment in innovation and the supply chain. Financing models will need to be developed with local authorities and other key stakeholders that crowd in private finance. Despite initiatives to try to develop a market, costs for decarbonising heat are still prohibitively high and supply chains at the scale required to meet the Government's targets do not currently exist. Funding frameworks need to ensure that the costs of decarbonising heat are not passed onto consumers, particularly those who are most vulnerable.

While local authorities are best placed to understand the needs of their communities in relation to decarbonising heating, they do not have the resources to orchestrate and develop initiatives. Using the Government's £9bn to deliver Net Zero in homes and publicly owned buildings (including social housing assets) will allow for the development of the supply chain and skills. This in turn will help to crowd in private investment and drive down costs for the private housing sector. In order to fully decarbonise heat, there will need to be ongoing support for those households in the owner-occupied and private rented sector who may face barriers, financial or otherwise.

Investing in jobs and skills

While new local jobs will be created by the major programme of investment that comes from adapting our homes and businesses to meet the Net Zero challenge, there needs to be substantial investment in training for new skills. Local authorities have not been able to make best use of current Government funding for low carbon heating as there is a dearth of workers with the right skills, which has made scaling up projects difficult. Those currently working within the construction industry, such as electricians or roofers, will need additional skills to meet zero carbon requirements. Alongside investment in infrastructure, there needs to be an investment in skills within local communities similar to the Training Academy at Stoke-on-Trent College,[6] which operates alongside the development of the City's District Heat Network.

Workshop participants

Bath and North East Somerset Council
Belfast City Council
Birmingham City Council
Business Growth Hub
Cambridge City Council
Cambridgeshire County Council
Carbon Co-op
Centrica
Clean Air Ventures
Cornwall Council
E3G
Energetik
Energy Hub North West
Energy Systems Catapult
EnergyRev
Greater London Authority
Green Finance Institute
Imperial College London
Leeds City Council
Leicester City Council
London Borough of Enfield
Manchester City Council
Mantis Energy
Ministry of Housing, Communities and Local Government
Mott MacDonald
Nottingham City Council
Oxford City Council
Redrow
Samsung
Sheffield City Council
SSE Enterprise
Sustainable Energy Association
TriplePoint
Trust Renewables
UK Green Building Council
University of Manchester
West of England Combined Authority

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2. Accelerating the Rate of Investment in Local Energy Projects, UK100, July 2020, www.uk100.org/publications/accelerating-rate-investment-local-energy-projects
3. Reducing UK emissions: 2020 Progress Report to Parliament, CCC, June 2020, www.theccc.org.uk/publication/reducing-uk-emissions-2020-progress-report-to-parliament
4. Clean Growth Strategy, October 2017, www.gov.uk/government/publications/clean-growth-strategy
5. Heating Swaffham Prior, heatingswaffhamprior.co.uk/about/
6. District Heat Network, Stoke-on-Trent College, www.stokecoll.ac.uk/about-us/district-heat-network/