

# REDUCING ENERGY DEMAND IN HOMES AND DECARBONISING ENERGY

**NHC NET ZERO POLICY BRIEFING JUNE 2022**



## **Housing in the North, climate change, cost-of-living, energy security – how does this all piece together?**

We are currently facing three crises:

- a spiralling cost-of-living crisis,
- an energy security crisis,
- and a climate crisis.

A key solution cutting across these is reducing our energy consumption by insulating homes and transitioning to low-carbon heat technologies at pace and scale.

With some of the most energy inefficient housing stock in Europe, the UK faces a huge challenge (and accompanying huge opportunities) to upgrade homes. The North is home to a high concentration of these older, colder homes and so this agenda is particularly important for NHC members.

In the North, homes account for 26% of carbon emissions<sup>1</sup>. We know that 60% of homes in the North do not meet the energy efficiency benchmark of EPC C so there is a lot of work to do but the North can lead the way.

The converging of these three crises means action to decarbonise homes has never been more urgent. It has the potential to contribute significantly to the Government's ambitions on net zero, their levelling-up mission to improve housing quality, tackle soaring energy bills, and increase the UK's level of energy security.

The NHC welcomed the additional support the Chancellor announced in May to ease the pressures of rising costs on households, it is a necessary but short-term approach. A more targeted solution to bring down energy bills over the medium- and long-term and cut carbon emissions from homes is to ramp up insulation and transition to low-carbon heating.

There have been reports recently that the Prime Minister is intending to take forward a national programme of home insulation<sup>2</sup>; a strategic long-term approach is necessary to move away from the stop-start approach so far. However, there are initial concerns that the funding will be funnelled from existing schemes which would fail to grasp the scale of the challenge and fail to mobilise the wide-ranging potential benefits.

There is a transformational opportunity for communities in the North here and we should grasp the opportunity now.

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<sup>1</sup> D. Long (2021), *Northern Housing Monitor* (commissioned by NHC). Available at: <https://www.northern-consortium.org.uk/wp-content/uploads/2021/08/The-Northern-Housing-Monitor-2021.pdf>

<sup>2</sup> The Times (2022), 'Boris Johnson hatches plan to insulate Britons against winter'. Available at: <https://www.thetimes.co.uk/article/boris-johnson-hatches-plan-to-insulate-britons-against-winter-bills-vq7xdjg3h>

### Current Government targets:

600,000 heat pump installations per year	By 2028
All social homes to EPC C	By 2030
All fuel poor homes to reach EPC C	By 2030
All homes to reach EPC C (where practical and affordable)	By 2035
100% clean electricity generation	By 2035
Low carbon heating systems in new homes	From 2035
Net zero carbon	By 2050

### Reducing energy demand in our homes

The cheapest and cleanest energy is the energy we do not use. Heat-sieve homes leak energy which means we consume more than we need to. As a consequence, poorly insulated homes are difficult to heat adequately and costly to maintain at a comfortable temperature. They also waste the energy generated from harmful non-renewable sources.

A poorly insulated home will leak around 35% of the heat generated from a gas boiler through the walls (including through gaps in doors and windows), 25% through the roof and 10% through the floor<sup>3</sup>. With energy bills surging, it is clear to see how keeping draughty homes warm is even more expensive for households with high heat loss. Cavity/solid wall insulation, loft insulation, floor insulation and draughtproofing measures would all contribute to restricting the amount of energy lost to the external environment.

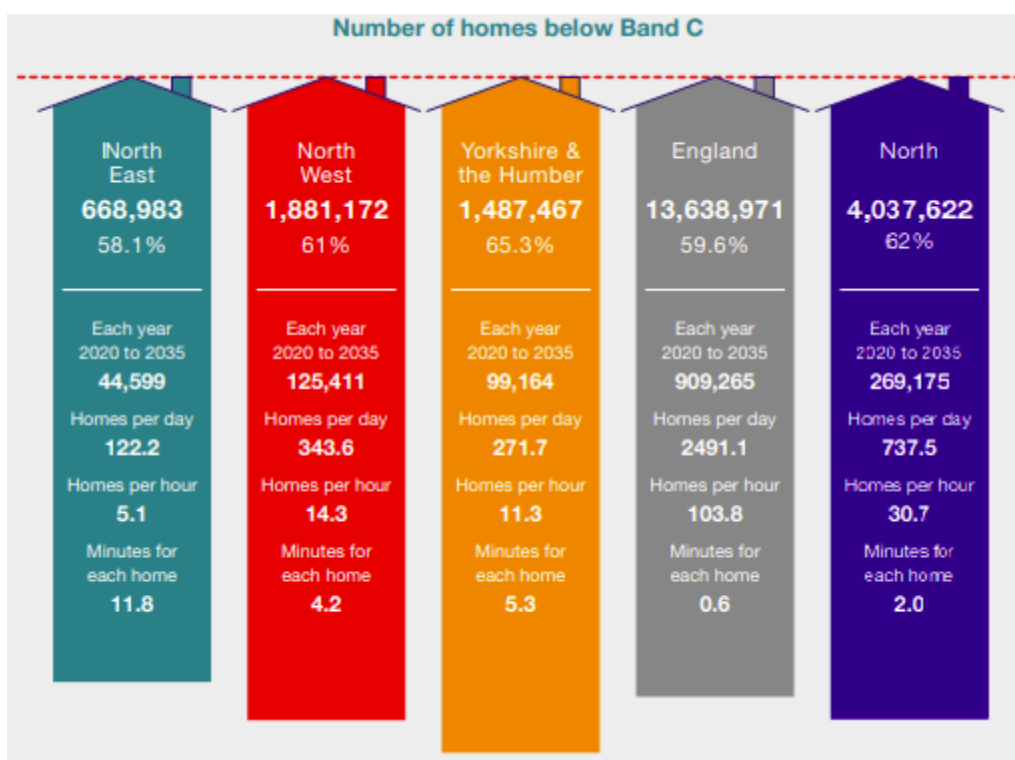
Despite knowing our homes leak energy (and money), across the UK 30% of cavity walls, 91% of solid walls and 34% of lofts are not insulated at all, and the majority of homes with insulation installed are in urgent need of updating to meet modern energy efficiency standards<sup>4</sup>.

Different types of homes will require different measures but addressing these inefficiencies would reduce energy demand immediately for households by minimising heat loss and reducing the frequency of needing to turn on the boiler.

The Northern Housing Monitor shows the scale of the challenge across regions in the North to upgrade homes to EPC C, illustrated in the chart below. There is clearly a lot to be getting on with.

<sup>3</sup> Energy Savings Trust (2021), 'How to insulate your home and stay warm this winter'. Available at: <https://energysavingtrust.org.uk/insulating-your-home-back-to-the-basics/>

<sup>4</sup> EDF (2022), 'Insulation age of homes revealed to be at least 46 years old'. Available at: <https://www.edfenergy.com/media-centre/news-releases/insulation-age-homes-revealed-be-least-46-years-old>



Demand reduction is a vital part of achieving long-term energy bill savings. With the energy price cap now expected to rise to nearly £3,000 in October and another rise to come in January 2023<sup>5</sup>, this is now more important than ever. Treasury's crisis response will support poorer households to a degree for now, but for the medium- and long-term we must start to insulate homes.

While the cost-of-living crisis is currently framing most of what local authorities, housing associations and ALMOs are responding to at the moment, forward-thinking on this is also essential to ensure the North's homes are future-proofed.

Upgrading a home from EPC D to EPC C would reduce demand by around 20% per home<sup>6</sup>, reducing bills for households immediately. E3G, an organisation campaigning for better energy performing homes, have developed the concept of an "inefficiency penalty" that is currently being paid by all households living in a home that is below EPC C. The penalty means households are paying £916 per year more for adequate heating than households living in a home rated EPC C or better. E3G have found that based on this, if every home in the UK below EPC C was improved, the aggregate bill saving would be £10.6bn each year at today's high prices<sup>7</sup>.

<sup>5</sup> Cornwall Insight (2022), 'Default Tariff Cap Data'. Available at: <https://www.cornwall-insight.com/press/cornwall-insight-comments-on-its-january-default-tariff-cap-forecast-rising-to-3000-for-a-typical-user/>

<sup>6</sup> ECIU (2022), 'Insulation installed over last decade saving Brits £1.2bn a year'. Available at: <https://eciu.net/media/press-releases/2022/insulation-installed-over-last-decade-saving-brits-1-2bn-a-year>

<sup>7</sup> E3G (2022), *The Home Energy Security Strategy*. Available at: [https://9tj4025ol53byww26jdkao0x-wpengine.netdna-ssl.com/wp-content/uploads/The-home-energy-security-strategy-a-permanent-solution-for-lower-bills\\_E3G-report-1.pdf](https://9tj4025ol53byww26jdkao0x-wpengine.netdna-ssl.com/wp-content/uploads/The-home-energy-security-strategy-a-permanent-solution-for-lower-bills_E3G-report-1.pdf)



Using E3G's analysis, eliminating the "inefficiency penalty" paid by households in the North by upgrading the region's 4m homes below EPC C would lead to an aggregate bill saving of around £2.9bn per year in the region.

These are vast potential savings. Current high levels of inflation are experienced at an even higher level by low-income households who pay a higher proportion of their income on energy bills. The bottom 10% of households in terms of income pay three times as much of their budgets on energy bills compared to the top 10% of households<sup>8</sup>. Reducing bills permanently by upgrading homes is a key solution to the cost-of-living crisis and it would have the greatest impact for lower-income households.

ONS data shows around a quarter of UK households are currently thinking about improving the efficiency of their homes in response to the surging cost of energy, a 5% rise on the figure found last Autumn<sup>9</sup>. Demand for better energy performing homes is building and the opportunities available through housing retrofit should be harnessed now to ensure all households can reap the benefits, not just those that can afford to.

Social housing has the highest proportion of homes in bands A-C at 53%, compared to 29% of owner-occupied homes and 33% of privately rented homes<sup>10</sup>. Clearly, this is a challenge across tenures but social housing has an exciting opportunity to act as an accelerant on this agenda, boosting local supply chains by delivering at scale, and leading the way for other tenures. NHC members are currently doing some innovative retrofit work through schemes such as the Social Housing Decarbonisation Fund, but further long-term policy and funding is needed for social housing providers to deliver on three big priorities: net zero, increasing the supply of new homes, and ensuring compliance with building safety and quality regimes.

In the private sector, policy and funding available to bring homes up to EPC C is piecemeal. The Government consulted in 2020 on increasing Minimum Energy Efficiency Standards (MEES) for the private rented sector to EPC C, but they are yet to confirm these plans. In the owner-occupied sector, various initiatives have been taken forward such as zero-rating VAT on insulation products, but, while welcome, these do not address the scale of the work required. Addressing the climate crisis, energy crisis, and cost-of-living crisis will need ambitious planning.

## **Decarbonising the energy we do use**

77% of the UK's domestic heating demand is currently being met by natural gas, with around 7% met by electricity, the same for oil and bioenergy, and the rest by solid fuel<sup>11</sup>. Global gas prices have been rising for some time but this has been compounded by Putin's invasion of Ukraine. While the UK only relies on Russian gas for a small percentage of its energy (4% of

<sup>8</sup> Institute for Fiscal Studies (2022), 'Inflation for poorest households likely to increase even faster than for the richest, and could hit 14% in October'. Available at: <https://ifs.org.uk/publications/16065>

<sup>9</sup> ONS (2022), 'Worries about the rising costs of living, Great Britain: April to May 2022'. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/worriesabouttherisingcostsoflivinggreatbritain/apriltomay2022>

<sup>10</sup> DLUHC (2020), *English Housing Survey 2020*. Available at: <https://www.gov.uk/government/statistical-data-sets/energy-inefficient-dwellings>

<sup>11</sup> Climate Change Committee (2022), *Independent Assessment: The UK's Heat and Buildings Strategy*. Available at: <https://www.theccc.org.uk/publication/independent-assessment-the-uks-heat-and-buildings-strategy/>

total gas supply and 8% of oil demand), energy prices are still set in these markets so UK households are exposed to the volatility of overall gas prices.

Transitioning home heating away from gas boilers will be a significant national challenge but the convergence of the three crises we are facing makes the necessity of action even stronger. The Government is committed to ending the installation of new gas boilers by 2035 and they have signalled the preferred technological pathway as heat pumps as the most “proven and scalable” option (and heat networks where appropriate), with a decision on hydrogen for home heating to be taken in 2026<sup>12</sup>.

Mass heat pump deployment seems far away in the UK at the moment with only around 30,000 heat pump installations per year – nowhere near the Government’s target of 600,000 by 2028. Heat pump markets elsewhere in the world are rapidly gaining momentum so the gap between the UK’s current efforts and its ambitions are not reflective of the technology itself. For example, in 2021 there were 1.1m heat pump installations in France and 4m in the US<sup>13</sup>.

Electrifying heat by rolling out heat pump technology would inevitably reduce gas demand and increase electricity demand. While around 40% of the UK’s electricity is generated from renewable sources such as wind and solar<sup>14</sup>, phasing out fossil fuels from the electricity mix will be a core part of reaching net zero targets. The Government are aiming for 100% clean electricity generation by 2035.

The recent Energy Security Strategy focused on energy supply, with ambitious targets on offshore wind and nuclear power (shunning the more politically sensitive but quicker/cheaper option of onshore wind). Electrifying home heating and reducing emissions from the domestic sector will mean the scaling up of renewable energy and associated infrastructure to ensure it can meet the increased demand for clean heat in homes.

The North already leads the way on phasing out fossil fuels as the region currently generates more than half of England’s renewable energy<sup>15</sup>. As an already established green leader in the power sector, the North is remarkably well-placed to continue this leadership position in the response to the three crises and lead on mobilising the opportunities available by rolling out decarbonised home heating.

Climate considerations are, however, not the only factors at play here. Electricity market reform will be needed for an effective transition to low-carbon home heating to ensure that prices are lowered. Currently, around 12% of electricity bills are made up of essential environmental and social levies compared to around 3% of gas bills. This set up means electricity is taxed at a higher rate, penalising a cleaner source of energy, and subsequently incentivising gas use. There are various ways the Government could change the way in

<sup>12</sup> BEIS (2021), *Heat and Buildings Strategy*. Available at: <https://institute.global/policy/three-birds-one-stone-how-greener-homes-can-solve-energy-trilemma>

<sup>13</sup> Carbon Brief (2022), ‘How heat pump sales are starting to take off around the world’. Available at: [https://www.carbonbrief.org/guest-post-how-heat-pump-sales-are-starting-to-take-off-around-the-world/?utm\\_content=bufferd401c&utm\\_medium=social&utm\\_source=twitter.com&utm\\_campaign=buffer](https://www.carbonbrief.org/guest-post-how-heat-pump-sales-are-starting-to-take-off-around-the-world/?utm_content=bufferd401c&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer)

<sup>14</sup> Ember (2021), *EU Power Sector in 2020*. Available at: <https://ember-climate.org/insights/research/eu-power-sector-2020/>

<sup>15</sup> IPPR North (2022), ‘IPPR North responds to the British Energy Security Strategy’. Available at: <https://www.ippr.org/news-and-media/press-releases/ippr-north-responds-to-the-british-energy-security-strategy>

which these levies are paid so that the unit price of electricity falls. This would lead to lower running costs for electrified heat and would further incentivise households to transition to heat pumps.

The Heat and Buildings Strategy announced Government will conduct a Fairness and Affordability Review to look at how they can shift energy levies that currently favour the use of gas over electricity; this is expected by the end of this year. The transition must be managed so that all households can benefit from cheaper, greener energy.

Recent media reports have revealed Government are now looking into how to decouple the price of electricity from the price of fossil gas<sup>16</sup>. This is a welcome step, but affordability for households must be at the centre of any reforms, as there is a risk that some options for reform could leave fuel poor households connected to the gas grid even worse off.

The Climate Change Committee's (CCC) independent assessment of the Heat and Buildings Strategy said bringing forward the affordability review is "critical". Discussions around fairness and affordability should remain central to plans to reach net zero and the NHC echoes the CCC that this review should begin as soon as possible.

On other more immediate energy market reforms, fuel poverty charities are calling for Ofgem to: scrap plans to introduce quarterly price cap increases which will see prices rise again in January 2023 during the depths of winter; additional consumer protections to those on pre-payment meters; the extension of energy debt relief rather than deferral; reform of standing charges; and the introduction of a social tariff for energy to support fuel poor households<sup>17</sup>.

A just transition to low-carbon home heating where every household can benefit from cleaner and cheaper energy is possible, and the opportunity to move quickly on this now is unprecedented due to current circumstances.

## **The economic case to Government**

Reaching net zero will cause significant economic changes over the coming decades across sectors. Decarbonising homes is going to be an important part of these changes, but there have been signs of disconnect between the short-termism of Treasury and the longer-term ambitions of BEIS on energy efficiency and heat decarbonisation<sup>18</sup>.

The £15bn of cost-of-living support announced by the Chancellor in May was a much-needed package to support households with the cost-of-living crisis now. But it is not a permanent solution and with high gas prices forecast until at least 2030<sup>19</sup>, the Government

<sup>16</sup> The Times (June 2022), 'Energy market reform will cut fuel bills'. Available at:

<https://www.thetimes.co.uk/article/energy-market-reform-will-cut-fuel-bills-dpvr79hcl>

<sup>17</sup> End Fuel Poverty Coalition (2022), 'End Fuel Poverty Coalition calls for further Ofgem action'.

Available at: <https://www.endfuelpoverty.org.uk/end-fuel-poverty-coalition-calls-for-further-ofgem-action/>

<sup>18</sup> Lord Callanan responded to an oral question in the HoL about why the Energy Security Strategy did not go further on energy efficiency, saying Treasury would not support doing so. (7<sup>th</sup> April 2022).

Available at: <https://hansard.parliament.uk/Lords/2022-04-07/debates/867F354D-34D2-4384-85B5-063A75DB389E/EnergySecurityStrategy#contribution-62D7AC3A-EB32-4C9E-A9AF-BD7012FFBB87>

<sup>19</sup> Cornwall Insight (2022), 'Volatile energy prices set to continue into 2030'. Available at:

<https://www.cornwall-insight.com/press/volatile-energy-prices-set-to-continue-into->



should be looking at alternative options to reduce energy bills for struggling households. This also means addressing the impact of high energy bills will remain a priority for NHC members throughout the 2020s.

Upgrading draughty homes now and consistently throughout this decade and beyond makes economic sense. Here's why:

## 1. Reducing fuel poverty in the North

The Resolution Foundation estimate that the number of English households in 'fuel stress' has doubled to 2.5 million since the price cap rise in April this year. There is a risk that the rise in October this year will put at least a further 2.5 million households at risk. Their report found the region most at risk is the North East which could see a staggering 41% of households experiencing fuel stress this winter<sup>20</sup>.

Levels of fuel poverty in the North were already higher than the English average in every region, with around a third of England's fuel poor being in the North<sup>21</sup>. This makes home insulation and low-carbon heat a particularly urgent concern for communities in the North.

For the worst performing homes, upgrading a home from EPC E to EPC C would reduce bills by £595 per year and from EPC F/G by £1339 per year<sup>22</sup>. Reducing energy bills permanently would mean more income for households to spend elsewhere, boosting local economies.

Data from BEIS on the Local Authority Delivery scheme (LAD - part of the Green Homes Grant scheme) shows the total estimated annual bill savings for households upgraded through Phase 1 of LAD – a total of 12,143 measures across England – is £1.2m. The majority of these savings come from solid wall insulation measures (£660,000) with the next highest savings from heat pumps (£230,000). So the Government knows that this works.

On ramping up renewable energy, in the long-term clean energy is cheaper to generate and cheaper energy generally translates into lower inflation and higher productivity, while expensive energy acts as a drag on the economy<sup>23</sup>. Together, driving up home insulation and scaling up renewable energy could be transformative for households and the wider economy.

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[2030/#:~:text=Research%20from%20Cornwall%20Insight%20has,%2C%20geopolitical%2C%20and%20ecological%20systems](#)

<sup>20</sup> Resolution Foundation (2022), *Stressed Out*. Available at:

<https://www.resolutionfoundation.org/press-releases/2-5-million-english-households-are-set-to-fall-into-fuel-stress-from-today-and-a-further-2-5-million-could-follow-them-in-october/>

<sup>21</sup> D. Long (2021), *Northern Housing Monitor* (commissioned by NHC). Available at:

<https://www.northern-consortium.org.uk/wp-content/uploads/2021/08/The-Northern-Housing-Monitor-2021.pdf>

<sup>22</sup> DLUHC (2022), *A Fairer Private Rented Sector*. Available at:

<https://www.gov.uk/government/publications/a-fairer-private-rented-sector/a-fairer-private-rented-sector#fn:44>

<sup>23</sup> Green Alliance (2022), *Climate for Growth*. Available at: <https://green-alliance.org.uk/wp-content/uploads/2022/05/Climate-for-growth.pdf>



## 2. Bringing new jobs and skills to the North

Across sectors, the North has the best chance to reap the economic benefits of transitioning to a low-carbon economy compared to other regions<sup>24</sup>. The three regions of the North currently have the greatest potential for gains through the net zero agenda, underlining the clear link to the Government's ambition to level-up the regions. A huge portion of these net zero opportunities include the new green jobs that are available to the North if action is taken.

For housing retrofit, NHC members will have a crucial role in stimulating markets and creating new jobs for communities in the region. The NHC's *Northern Powerhomes* report with IPPR North showed that a large-scale programme of social housing retrofit could lead to the creation of 77,000 direct jobs in the North by 2035<sup>25</sup>.

Potential Jobs	North	North East	North West	Yorkshire and the Humber
Retrofits	53,000	9,000	26,000	18,000
Heat pumps	13,000	4,000	6,000	3,000
Heat networks	11,000	2,000	5,000	4,000
<b>Total</b>	<b>77,000</b>	<b>15,000</b>	<b>37,000</b>	<b>25,000</b>

There is a significant skills challenge to overcome to fill these new green roles to install and maintain new technologies over the long-term. For example, there are estimated to only be around 1,200 qualified heat pump installers across the UK<sup>26</sup>. But housing decarbonisation presents us with a huge opportunity to attract new entrants to these good green jobs, and to retrain tradespeople (such as gas engineers) to refocus the labour market on delivering improved home energy efficiency and low carbon technologies.

Partnerships between housing providers, local government, further education, training providers and businesses need to be developed to ensure the North has the skills infrastructure to deliver the workforce needed. Many NHC members are involved in some brilliant projects making these links with partners but there will be further opportunities to explore to gear local communities up to deliver the jobs outlined above.

<sup>24</sup> Social Market Foundation (2022), *Zeroing In*. Available at: <https://www.smf.co.uk/north-of-england-could-be-biggest-economic-winner-from-net-zero/>

<sup>25</sup> IPPR North (2020), *Northern Powerhomes*. Available at: <https://www.northern-consortium.org.uk/wp-content/uploads/2021/04/Northern-Powerhomes-A-green-recovery-plan-to-decarbonise-homes-in-the-North1.pdf>

<sup>26</sup> Independent Networks Association (2021), *Review of the Future Home Standard*. Available at: [https://ina.org.uk/wp-content/uploads/2021/06/EY-Report-on-the-Future-Homes-Standard-June-2021\\_Final-1.pdf](https://ina.org.uk/wp-content/uploads/2021/06/EY-Report-on-the-Future-Homes-Standard-June-2021_Final-1.pdf)

The gas boiler market is a big one to replace (currently installing around 1.7m boilers per year) but the opportunity to capitalise on the new heat pump market is enormous<sup>27</sup>. Heat pump manufacturing presents the UK with a more than £5bn economic opportunity, which could be even larger as the market grows<sup>28</sup>. The UK is lagging substantially behind other European countries on harnessing the economic opportunities available through heat pumps<sup>29</sup>.

Recent research has found that central government investment in energy efficiency and renewable energy in response to the energy crisis we are experiencing will outperform investment in fossil fuels in terms of job creation<sup>30</sup>. The co-benefits of doing so include helping to stabilise the climate, improving the quality of homes in the North, and improving health outcomes.

### 3. Improving health outcomes in the North

Housing is a key determinant of our health and wellbeing and it is well-evidenced that poor-quality housing can create, or worsen, health conditions. For example, cold homes can lead to respiratory and cardiovascular issues and even premature death<sup>31</sup>. Each winter, there are an astonishing 30,000 more deaths due to inadequate heating in homes<sup>32</sup>.

Whereas warm, dry and comfortable homes are more likely to lead to better health outcomes with other indirect results including improved outcomes in the early years, better employment prospects and strong community resilience, which are all associated with good health<sup>33</sup>.

A report published by the University of Huddersfield, supported by the NHC and Nationwide Foundation, documented the lived experience of those living in poor quality housing through lockdown. Thermal comfort was a major theme within the report with many interviewees discussing the struggle to keep homes warm due to a lack of insulation<sup>34</sup>.

<sup>27</sup> Tony Blair Institute for Global Change (2022), *Three Birds, One Stone: How Greener Homes Can Solve the Energy Trilemma*. Available at: <https://institute.global/policy/three-birds-one-stone-how-greener-homes-can-solve-energy-trilemma>

<sup>28</sup> Cambridge Econometrics (2021), *The economic impact of decarbonising household heating in the UK*. Available at: [https://www.greenpeace.org.uk/wp-content/uploads/2021/09/Economic-Impacts-of-Decarbonising-Heating-in-Residential-Buildings\\_Final-Report.pdf](https://www.greenpeace.org.uk/wp-content/uploads/2021/09/Economic-Impacts-of-Decarbonising-Heating-in-Residential-Buildings_Final-Report.pdf)

<sup>29</sup> Electrify Heat (2022), *Getting off gas: Learnings for the UK to get ahead in the global race to clean heat*. Available at: [https://electrifyheat.uk/wp-content/uploads/2022/06/Getting-off-gas\\_-Learnings-on-how-the-UK-can-get-ahead-in-the-global-race-towards-clean-heat.pdf](https://electrifyheat.uk/wp-content/uploads/2022/06/Getting-off-gas_-Learnings-on-how-the-UK-can-get-ahead-in-the-global-race-towards-clean-heat.pdf)

<sup>30</sup> Business Green (2022), 'Smith School of Enterprise and Environment research'. Available at: [https://www.businessgreen.com/news/4051411/study-green-government-investments-drive-quicker-bigger-rewards-spending-fossil-fuels?utm\\_source=twitter&utm\\_medium=social](https://www.businessgreen.com/news/4051411/study-green-government-investments-drive-quicker-bigger-rewards-spending-fossil-fuels?utm_source=twitter&utm_medium=social)

<sup>31</sup> Centre for Ageing Better (2020), *Home and Dry*. Available at: <https://www.ageing-better.org.uk/sites/default/files/2020-03/Home-and-dry-report.pdf>

<sup>32</sup> ONS (2018), 'Excess winter mortality'. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2017to2018provisionaland2016to2017final>

<sup>33</sup> King's Fund (2018), *Housing and Health*. Available at: <https://www.kingsfund.org.uk/topics/housing?f%5B0%5D=type%3A5842>

<sup>34</sup> University of Huddersfield (2020), *Lockdown. Rundown. Breakdown*. Available at: <https://www.flipsnack.com/NorthernHousingConsortium/lockdown-rundown-breakdown-1hpf1x7e47/full-view.html>



The report concluded that “rundown homes are resulting in rundown people” with a strong relationship between mental health and poor housing during the pandemic identified.

The report recommended improving the fabric of homes by thoroughly insulating them and replacing heating systems to ensure the health risks of cold homes are eliminated across tenures.

There are also other indirect impacts of poor energy performing homes such as having less disposable income to spend on things that promote good health such as healthy food and exercise<sup>35</sup>.

Overall, it is estimated that the cost of poor housing to the NHS is £1.4bn per year and estimates have shown that reducing excess cold in homes would save the NHS £848m per year<sup>36</sup>. Analysis of previous investment in cold homes has shown savings of 42p to the NHS for every £1 invested<sup>37</sup>. Additionally, every £1 spent on improving homes occupied by vulnerable households yields £4 in health benefits<sup>38</sup>.

## **Engaging the public and the Social Housing Tenants’ Climate Jury**

Recent research by *Onward* found that a majority of people think the invasion of Ukraine means the UK should move faster, not slower, on net zero<sup>39</sup>. The will to act on energy security, climate change, and the cost-of-living crisis is there but the connection between these important issues and how we heat our homes needs to be articulated clearly. BEIS’ most recent Public Attitude Tracker shows around 50% of people are not aware at all (or know very little) about how home heating is involved in reaching net zero targets<sup>40</sup>.

There is clearly an information gap between what we need to do to reduce emissions from homes and the public’s knowledge and interaction with it. Though this is rising due to increased focus on energy bills, global energy security, and the climate crisis, consistent messaging and advice will be key.

Delivering on this aspect will differ across tenures. For social housing providers, engagement with tenants is going to be a core component of decarbonising existing homes. Last year, the NHC commissioned a first of its kind Social Housing Tenants’ Climate Jury which saw 30 social housing tenants from across the North come together to explore the question: “how can tenants, social housing providers, and others work together to tackle climate change in our homes and neighbourhoods?”

<sup>35</sup> Health Foundation (2020), ‘Better housing is crucial for our health and the COVID-19 recovery’. Available at: <https://www.health.org.uk/publications/long-reads/better-housing-is-crucial-for-our-health-and-the-covid-19-recovery>

<sup>36</sup> BRE (2015), *The Cost of Poor Housing to the NHS*. Available at: <https://www.bre.co.uk/filelibrary/pdf/87741-Cost-of-Poor-Housing-Briefing-Paper-v3.pdf>

<sup>37</sup> Energy Savings Trust (2015), *Capturing the “multiple benefits” of energy efficiency in practice*. Available at: [https://www.energysavingtrust.org.uk/sites/default/files/reports/1-424-15\\_Payne.pdf](https://www.energysavingtrust.org.uk/sites/default/files/reports/1-424-15_Payne.pdf)

<sup>38</sup> Centre for Ageing Better (2021), *Good Homes for All*. Available at: <https://ageing-better.org.uk/sites/default/files/2021-09/good-homes-for-all-a-proposal.pdf>

<sup>39</sup> Onward (2022), *Taking the Temperature*. Available at: [https://www.ukonward.com/wp-content/uploads/2022/04/Taking\\_the\\_temperature.pdf](https://www.ukonward.com/wp-content/uploads/2022/04/Taking_the_temperature.pdf)

<sup>40</sup> BEIS (2022), ‘Public Attitudes Tracker: Heat and Energy in the Home Spring 2022’. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1082718/BEIS\\_PAT\\_Spring\\_2022\\_Heat\\_and\\_Energy\\_in\\_the\\_Home.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1082718/BEIS_PAT_Spring_2022_Heat_and_Energy_in_the_Home.pdf)

The Jury's recommendations followed four themes:

- A. Recommendations on retrofit technology (including independent inspections of work, developing as new technologies emerge, and training housing associations' workforce)
- B. Recommendations on costs and managing disruptions to tenants (including reassurance that rents would not rise as a result of work, landlords would cover cost of necessary redecoration after work, and a named contact to work with to minimise disruption)
- C. Education, Raising Awareness, Communications and Housing Association Collaboration (including the vital importance of good communication and transparency about the work undertaken)
- D. Tackling Climate Change in our neighbourhoods (including recommendations on the use of green space)<sup>41</sup>

On the whole, social housing tenants were keen to take action to reduce the impact of their homes on the environment, but there were some clear requirements around transparency about the process and reassurances around the disruption and costs involved. To raise awareness and improve communication with social housing tenants, the NHC is working with TPAS and Placeshapers on an upcoming project to support housing providers with their engagement with tenants on housing retrofit.

Engagement is arguably trickier for the private sector as private landlords and owner-occupiers will require wider public awareness raising activities and differing incentives to act on inefficient homes in both the owner-occupier and private rented sector in the North.

## **What has been announced on housing decarbonisation so far?**

### **• Social Housing Decarbonisation Fund**

The Conservative Party manifesto committed £3.8bn over a decade with £800m allocated until 2025. The North received 35% of Wave 1 of SHDF funding announced in February 2022. The second wave of funding is expected to open in late August/early September with up to £700m available. Many NHC members are now planning their approach to submitting a bid to BEIS for a share of the pot and forming partnerships to do so together.

### **• Heat and Buildings Strategy**

The Strategy announced the following in October 2021: Home Upgrade Grants (£950m), Boiler Upgrade Scheme (£450m), Heat Network Transformation Programme (£338m), Heat Pump Ready Programme (£60m), a Fairness and Affordability Review to look at energy market reform, and plans to consult on implementing a long-term regulatory standard to upgrade social rented homes to EPC C.

### **• Home Upgrade Scheme (HUG)**

HUG supports the upgrading of homes off the gas grid, so is particularly relevant to rural communities. £97m of the £950m pot has so far been allocated this year, with another round

<sup>41</sup> NHC (2021), Social Housing Tenants' Climate Jury Final Report. Available at: <https://www.northern-consortium.org.uk/the-social-housing-tenants-climate-jury/>



expected to open to bids this year. Local authorities in the North should now be considering which homes in their areas could be eligible for the next round of funding.

- **Green Homes Grant (and Local Authority Delivery scheme)**

The £2bn Green Homes Grant (GHG) scheme was launched in 2020 with the aim of upgrading 600,000 eligible homes by providing discounts to incentivise householders. The delivery of GHG scheme did not meet expectations and was scrapped by the Government just six months after its launch, with only a fraction of the available vouchers issued in the period. The Environmental Audit Committee said a “lack of engagement with the industry over the design of the scheme led to it being sub-optimal, resulting in a fragmented and actively disruptive approach to developing skills in a vital sector”<sup>42</sup>.

£500m of the initial GHG funding was for the Local Authority Delivery (LAD) scheme for local authorities to target households with an income under £30,000. Though short-term delivery windows meant it was not without its own challenges, this was the most successful element of the GHG scheme.

- **Energy Security Strategy**

While ambitious on energy supply, the Strategy missed the opportunity to strengthen plans to reduce energy demand by improving the energy efficiency of homes as part of efforts to reach net zero targets and reduce household energy bills during a cost-of-living crisis. The Energy Security Bill was included in the Queen’s Speech so is expected to be brought forward in this parliamentary session.

- **Decent Homes Standard review**

The current Decent Homes Standard (last updated in 2006) requires a SAP rating of 35 which is equivalent to EPC F. The Decent Homes Standard is currently being reviewed, with a consultation expected this year. DLUHC have indicated that the thermal comfort criterion of the DHS will be considered in a separate, but parallel, consultation. The NHC have urged Government to “significantly update expectations on thermal comfort to ensure they align with the Clean Growth Strategy, contribute to the delivery of Government’s net zero objective and meet the modern-day expectations of residents”<sup>43</sup>.

- **MEES consultation for the private rented sector**

BEIS have consulted in 2020 on increasing Minimum Energy Efficiency Standards (MEES) for privately rented homes to EPC C by 2025 for new lettings, and 2028 for all privately rented homes. We are still waiting for the Government’s response to this consultation. The Levelling Up Bill will extend the Decent Homes Standard to the private rented sector for the first time, but it is not yet clear how the energy efficiency regulation will be brought forward. Local authorities in the North have seen a 58% reduction in their housing capacity over the

<sup>42</sup> Environmental Audit Committee (2021), ‘Green Jobs inquiry final report’. Available at: [https://publications.parliament.uk/pa/cm5802/cmselect/cmenvaud/75/7505.htm#\\_idTextAnchor024](https://publications.parliament.uk/pa/cm5802/cmselect/cmenvaud/75/7505.htm#_idTextAnchor024)

<sup>43</sup> NHC (2021), *Delivering on Net Zero and Levelling Up: Spending Review Representation*. Available: <https://www.northern-consortium.org.uk/wp-content/uploads/2021/10/Northern-Housing-Consortium-2021-Spending-Review-Representation1..pdf>

last decade so enforcement of new standards in the private rented sector will need to be central to the Government's strategy<sup>44</sup>.

### What are we expecting soon?

- **Energy Security Bill:** The NHC will be working with others both within and external to the sector as this Bill comes forward to call for stronger direction with a long-term approach to reduce energy demand through this legislation.
- **MEES consultation response:** Government have not yet responded to raising the standard to EPC C for new private rented lettings from 2025 and to EPC C for all PRS properties from 2028. The long-awaited Renters' Reform White Paper did not address these proposed changes so we are awaiting news on driving energy efficiency in the PRS.
- **ECO4:** The new Energy Company Obligation scheme was expected to begin in April this year which supports insulating low-income households. The North has a higher proportion of homes fitted with insulation measures through ECO, averaging around 17% across the North, compared to the English average of 11%. Recent media reports expect the Government to expand the scheme as part of plans to increase insulation measures in homes.
- **Fairness and Affordability Review:** The Heat and Buildings Strategy announced the Government will undertake a Fairness and Affordability Review to look at the pricing of gas and electricity bills. We urge the Government to bring this forward as soon as possible to ensure low-income households are not left behind in the net zero transition.
- **Autumn Budget:** The Chancellor will deliver the Autumn Budget against a backdrop of spiralling energy bills as we head into a very difficult winter for many households. The NHC will be joining others to call for the ramping up of home insulation and clean heat as the permanent solution to this.

### NHC Contact

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<sup>44</sup> D. Long (2021), *Northern Housing Monitor* (commissioned by NHC). Available at: <https://www.northern-consortium.org.uk/wp-content/uploads/2021/08/The-Northern-Housing-Monitor-2021.pdf>





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