

The Energy from Buildings and Communities Bill

A national strategy with local delivery to:

- Further the Prime Minister's social justice mission to 'make Britain a country that works not for a privileged few but for every one of us'
- Reduce fuel bills for the millions in fuel poverty or are 'just managing'
- Boost investor confidence in the low-carbon energy sector to help the UK achieve its CO2 reduction duty

The objective of the Bill: a revenue neutral programme of works to bring the whole housing stock up to Energy Performance Certificate band C by 2035 as part of the Government's Industrial Strategy, as an Infrastructure Priority or by any other means that would achieve the objective

<p>Helping 'just managing' families</p> <p>The Resolution Foundation</p> <p>Hanging on: The stresses and strains of Britain's 'just managing' families³</p> <p>"Britain's (6 million) 'just managing' families have experienced a 13 year income squeeze"</p> <p>"Rising housing costs ... mean that the proportion of income spent on housing* within the group has increased sharply ... equivalent to an extra 14p on the basic rate of income tax"</p> <p>* including fuel and power⁴</p> <p>Nearly 200,000 of these families are behind with their fuel bills according to the Foundation's latest figures⁵</p> <p>This policy would cut those bills by between £203 and £416 p.a</p>	<p>Helping people in fuel poverty</p> <p>National Energy Action⁶</p> <p>"Over 4 million UK households are in fuel poverty, unable to afford to live in a warm, dry home ... fuel poverty causes misery, ill health and premature death in millions of households across the UK."</p> <p>"The key to tackling this ... is improving the energy efficiency of housing"</p> <p>Improve Health: Save Money</p> <p>The Chief Medical Officer says that every £1 spent on fuel poverty saves the NHS 44p⁷</p> <p>This policy would end fuel poverty and help the NHS</p>	<p>Listening to what people say</p> <p>Living Home Standard⁸</p> <p>"This Standard (is) the first definition of what home means (made) by the public ... the result of 9 months research undertaken by Ipsos MORI"</p> <p>18% of homes do not meet the decent conditions Standard</p> <p>"You wouldn't be able to function right if you're in a cold place."</p> <p>People said cold homes "impacted (on) ... physical health ... emotional wellbeing ... children having a comfortable environment to do homework"</p> <p>"Our research revealed that heating the home was the most important aspect of (home) decency we tested"</p> <p>This policy would give people the help they regard as important</p>
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Helping the Prime Minister's objective to achieve lower energy costs

We welcome the importance Mrs May attaches to “an energy policy that emphasises ... lower costs for users.”

- Bright Blue says “**energy efficiency measures reduce ... the energy required to heat a property, lowering bills**”⁹
- Bringing our housing stock up to EPC band C would reduce fuel bills by between £203 and £416 p.a.¹⁰

Boosting investor confidence growth & jobs

- The Office of National Statistics reports that “**compared with other low carbon groups, such as primary electricity, businesses operating in the energy efficient products group are fairly labour intensive**”¹²
- Bringing the housing stock up to EPC band C would create 108,000 jobs p.a across the whole of the country¹³
- This policy “should provide a long-term vision for industry to work towards a low carbon and efficient economy”¹⁴

Bright Blue

“Incentivising home energy improvements ... would spur growth today, and increase the UK’s long-term growth potential.”¹⁵ “Increased take-up of home energy improvements would increase employment and economic activity in the UK.”¹⁶

Helping Government Policy on Climate change

The Government honestly recognises that

- “the shortfall we have over the fourth carbon budget has increased;”¹⁷ “*domestic emissions are projected to ...rise by around 5% over the next 20 years*”¹⁸; and that “**reducing emissions from buildings will require improved energy efficiency measures and changes to heating systems in properties**”¹⁹
- Bringing our housing stock up to EPC band C will reduce domestic CO2 emissions by 23.6Mt p.a. by 2030 – i.e. by 1/3rd of total projected domestic emissions²¹

Policy Exchange

“demand reduction could play a significant role in decarbonising heat, reducing overall domestic heat demand by up to 20% [by] 2050,”²² and so reduce CO2 emissions

¹ [Out of the Cold: An Agenda for Warm Homes](#), Duggan, Julian and Sagar, ResPublica (2015) p. 1

² [After the Green Deal: Empowering people and places to improve their homes](#), Rosenow and Sagar, ResPublica (2015) recommendation 1

³ [Hanging on: The stresses and strains of Britain’s ‘just managing’ families](#), Finch, Resolution Foundation (2016)

⁴ Ibid table 2 p. 16

⁵ [Living Standards](#), Corlett, Finch and Whittaker, Resolution Foundation (2016) table 11, p. 76

⁶ [NEA: Action for Homes](#)

⁷ [Annual Report 2009](#), NHS Choices (2009)

⁸ [Living Home Standard](#), Shelter (2016)

⁹ [Better Homes: Incentivising Home Improvements](#), Hall and Caldecott, Bright Blue (2016) p. 25

¹⁰ [Building for the Future](#), Verco and Cambridge Econometrics (2014) p. 5

¹¹ [Baroness Neville-Rolfe's speech on energy efficiency](#), BEIS (2014)

¹² [UK environmental accounts: Low carbon and renewable energy economy](#), Office for National Statistics (2014)

¹³ [Building for the Future](#) op. cit p. 4

¹⁴ Submission by the Sustainable Energy Association to the government consultation in industrial strategy

¹⁵ [Better Homes: Incentivising Home Improvements](#) op. cit p. 28

¹⁶ Ibid p. 27

¹⁷ [Updated energy and emissions projections 2015](#), DECC (2015) p. 5

¹⁸ Ibid p. 12

¹⁹ [Government response to the Committee on Climate Change – summary](#), DECC, DEFRA (2015) p. 12

²⁰ [Building for the Future](#) op. cit p. 5

²¹ [Updated energy and emissions projections 2015](#), op. cit annex B

²² [Too Hot to Handle? How to decarbonise domestic heating](#), Policy Exchange (2016) p. 8

Some suggested financial incentives

‘Able to pay’ households

Incentives include: stamp duty rebate, income tax rebate, council tax rebate, conditional mortgages, help to Buy ISA, minimum EPC at point of sale, help to improve loans, help to improve ISA, equity loans.

For households in fuel poverty the work would be carried out free of charge as they cannot afford to pay.

This programme will cost £67.7 billion. Overpage we discuss how it can be revenue neutral.

“In my view any successful industrial strategy has to be local”

These were not our words, but those of the Rt Hon Greg Clark, Secretary of State for Business, Energy and Industrial Strategy, with which we totally agree. Top-down schemes have not had great success in persuading people to insulate their homes, but there appears to be a consensus, based on evidence, that a local approach is more likely to succeed.

ResPublica	Bright Blue	Policy Exchange
Recommend a “more local and bespoke incentives for people to improve their homes.” ²³	A local approach “will help attract more individual installers into the supply chain, so local customer networks and higher trust can be better utilized” ²⁴	Advocate “a national strategy with a localist approach.” ²⁵

The Building the Future report suggests that a local authority led street-by-street approach to delivery will drive consumer demand. The area based nature of the scheme would encourage awareness of the benefits of energy efficiency by engaging households as well as reduce costs due to economies of scale.²⁶

The British Gas ‘Green Streets’ scheme provides further evidence as to how community energy can effect energy awareness: “a survey of 1,300 people living within an average distance of 1.25km from buildings that participated in the projects found that 41% were aware of the Green Streets project ... Of those who were aware, 30% said it had changed their attitudes towards energy efficiency and renewable energy, and 46% said they had been inspired to take action on energy efficiency and renewable energy ...61% said they would be more likely to take action on energy in future.”²⁷

Communicating the scheme to the public

Bright Blue has recommended that the programme of works “should be communicated to consumers as a policy to make properties warmer, healthier, and more valuable, rather than as a 'green measure'”.²⁸

A report by ResPublica indicated that financial incentives are not enough, as they “ignored the much greater aspirations that people have in their home: comfort, wellbeing and health.”²⁹ It pointed out: “When the state of Oregon tested different messages when marketing their energy efficiency programmes, they found that comfort was most effective messaging. A comprehensive US study³⁰ also stresses that focusing on ... comfort and health greatly enhances the attractiveness of energy efficiency from the consumers’ perspective. Emerging UK evidence ... supports this.”³¹

²³ [After the Green Deal](#) op.cit recommendation 4

²⁴ [Better Homes: Incentivising Home Improvements](#) op. cit p. 17

²⁵ [Too Hot to Handle](#) op.cit p. 11

²⁶ [Building for the Future](#) op.cit p. 12

²⁷ [Community Energy Strategy](#), DECC, (2014) p. 74

²⁸ [Better Homes: Incentivising Home Improvements](#) op. cit

²⁹ [After the Green Deal](#) op. cit.

³⁰ [Driving demand for home energy improvements](#). Fuller, Kunkel, Zimring, Hoffman, Soroye, and Goldman (2010)

³¹ [Why do homeowners renovate energy efficiently? Contrasting perspectives and implications for policy](#). Wilson, Crane and Chryssochoidis (2015)

Revenue Neutral: Costs of the Programme

As we have said the programme will cost £66.8 billion. So how can this be ‘revenue neutral’? The answer lies in **how** the government views its income – i.e. the financial benefits of the scheme should be set against the cost, as the **Treasury Green Book states** on page 19:

“the relevant costs and benefits to government and society of all options should be valued, and the net benefits or costs calculated ... wider social and environmental costs and benefits also need to be brought into any assessment.”

Total Cost of Financial Incentives to Complete the Programme

	£billion
‘Able to Pay’ Households	
• Interest-free loans: interest paid by the government.	£ 27.4 ³²
• An income tax rebate on the cost of the works. For those on standard rate this would mean an average rebate of 20% of £4,385 ³³ = £877 x 15.2million homes. ³⁴	£ 13.3
• A stamp duty rebate to buyers who increase the energy efficiency of their new home in a specified time. But increased duty on energy inefficient homes.	Revenue neutral
• Council tax rebates on energy efficient homes; with power to increase council tax on energy inefficient homes.	Revenue neutral
Fuel Poor Households	
Government grants to upgrade these homes.	£ 26.1 ³⁵
Total Cost by 2035	£ 66.8

Financial Benefits from the Programme

Income generated by the scheme itself	£billion
• Increased tax revenue (direct and indirect) by 2030.	£ 51.1 ³⁶
• The Chief Medical Officer has stated that every £1 spent on fuel poverty saves the NHS 44p. So £26.1 billion spent on fuel poverty.	£ 11.48 ³⁷
Spending by existing UK schemes that would lessen the overall cost	
• ECO spending 2017 – 2022 £640 million p.a	£ 3.2
• Welsh Assembly scheme £100 million over 5 years	£ 0.05
• Scottish Government HEEPS money for councils to 2035	£ 10.00
Total revenue from above policies	£ 75.83

As can be seen, using the methodology in the Treasury’s Green Book, the revenue from this programme of works exceeds the outlay. There are, in addition, further revenue streams not included in the above which would reduce the estimated £26.1 billion of UK Government money – such as local authority fuel poverty programmes; spending by the Welsh Government and the Northern Ireland Assembly; as well as surpluses from municipal energy schemes: their business plans predict surpluses – to be used for insulating homes.

³² [Building for the Future](#) op. cit p. 7

³³ Ibid p. 14

³⁴ [The English Housing Survey 2014-15](#), DCLG, (Table 2.6) shows that there are now 6,125,000 English households at level A, B or C. (26.2%). Applying this % to the rest of the UK, 26% of 4.4 million = 1,144,000 means there are 6,125,000 + 1,144,000 = 7,269,000 households NOT needing works. So number needing works is 22,500,000 – 7,269,000 = 15,231,000.

³⁵ [Building for the Future](#) op. cit p. 14

³⁶ [Building for the Future](#) op. cit p. 9,24

³⁷ [Annual Report 2009, The Cost of Cold, Age UK \(2012\); Good Housing Leads to Good Health](#) Chartered Institute of Environmental Health (2008) and [The Marmot Review \(2011\)](#)