



ALL-PARTY PARLIAMENTARY GROUP FOR
**HOUSING MARKET &
HOUSING DELIVERY**

**Minutes of the Roundtable between parliamentarians, housing and
regeneration leaders with Martin Callanan, Baron Callanan.**

Monday 3rd May 2022 at 11:00 (online meeting)

Members

Ben Everitt MP (BE) - Chair

In attendance

APPG Secretariat

Guests

Settle

Stonewater

Aster Group UK

L&G Affordable Homes

Places for People

Boklok

JLL

Trent & Dove

Karbon Homes

Alliance Homes

PPR Estates

Homes for Islington

RPS Group

Other

Matthew Sachak (Martin Callanan, Baron Callanan office)

Office of Andrew Lewer MP



Meeting Started at 11:30 (11:06)

1. Introduction

BE introduces BC:

BC opening remarks:

Decarbonising the UK's housing stock is a massive challenge, and it will see changes to our infrastructure, to our energy markets as well as to virtually every home and workplace throughout the whole country. These changes are vital if we are to meet the legally binding net-zero targets.

-I believe we have the heat and building strategy which we published last year to guide us as well as the new energy security strategy which the PM announced last month accelerates our ambition towards net-zero with a series of very bold commitments. It does highlight the importance of energy efficiency and low carbon heating to protect ourselves against the worst shocks of high energy pricing, and it reinforces the urgent need to switch to green renewable energy sources.

- The journey to net-zero buildings starts with better energy performance, and we will improve the energy efficiency of the fabric of our buildings as well as the products that we use so that households and businesses can save money, and everybody's homes and offices, workplaces etc can become more comfortable.

-We will be investing around £6.6bn during this parliament, almost £3bn of which will be targeted at low income households, protecting the most vulnerable in our society and making it easier and cheaper for them to heat their homes.

-The government is already taking action, and we've saved households on the lowest incomes around 300 pounds a year on bills through these energy efficiency measures. Now, ensuring that the cost of the transition is fair and affordable for everyone is of paramount importance to us and our policies ensure that the most vulnerable in society are early beneficiaries of the transition to net-zero because going green should not just be a nice to have option for those of us who can afford it.



- My parties' manifesto committed in 2019, £3.8bn over a ten-year period to the social housing decarbonisation fund to improve the energy efficiency of socially rented homes and that will bring a significant amount of our housing up to EPC band level C.
- The home upgrade grant which we have just allocated, £1.1bn in funding, is supporting the fuel poor living in off gas grid homes which generally use high carbon heating systems such as oil which of course are seeing massive increases on the cost of at the moment.

- The local authority delivery scheme has provided about £500M pounds worth of funding so far to local authorities to upgrade the energy efficiency of up to 50,000 lower income households and that is both on and off the gas grid. Additionally, the sustainable warmth competition brings together both the local authority delivery and the home upgrade grant into a single funding opportunity for local authorities to help address fuel poverty.

- We have the long-running energy company obligation scheme which is not subject to direct government funding, it is an obligation the government has placed on large energy suppliers to install energy efficiency and heating measures in lower income households and that has delivered so far about 3,4M measures and 2.4M homes providing support to low income, vulnerable households living in homes below EPC C and are currently in the transition from Eco 3 to Eco 4 which will see an upgrade in funding from about £750M to about £1bn pounds per year.

- It is vital that the standards of our homes continues to improve, ensuring that new homes will be ready for net-zero future homes standard, which is actually a DLUHC responsibility, it does not reside with my department, but that will require new bills to be future proofed for the long term and avoid the need for costly retrofits in the future.

- A new standard will come into force in 2025, but we are not waiting until then to take action in the new built sector, in reducing an uplift to what is known as part L of the building regulations which provides a stepping stone to the future home standards and will ensure that all new homes will produce about 30% less CO2 compared to the previous 2013 standards.

- For existing homes, we have set a target to have as many as is practical, affordable, and cost-effective, able to reach EPC by 2035 and that target is earlier for those who are currently living in fuel poverty.

- We have already introduced energy efficiency regulations into the domestic rented sector and are currently considering how we can raise the standard for other tenure types.



-We will need to transition away completely from fossil fuel heating systems and extensive evidence indicates that heat pumps are cost-effective means of decarbonising heat in homes and businesses across the UK and in any future circumstances they will have a key role to play in the journey to net-zero to help bridge the gap in that transition.

-We are currently in the process of introducing the new boiler upgrade scheme. Installations have already started, and we will start to pay installers from late May for that for a grant of up to £6,000 pounds towards the upfront cost of installing both ground and air source heat pumps.

-We are fully aware of the impact of current electricity prices, and they continue to increase the cost of running a heat pump, so we are committed that in the future by adjusting gas and electricity prices that they will be no more expensive than gas boilers to run. As part of this we are launching a fairness and affordability call for evidence to look at options for energy levies and obligations to help rebalance those prices and support green choices, and we will look to take decisions on that later this year.

-I mentioned that in the energy security strategy, introduced a couple of weeks ago, the chancellor cut VAT for the next five years on the installation of energy saving materials, including installation and low carbon heating, heat pumps and households can now save £1,000 or £2,000 pounds on the cost of a heat pump in addition to the grants that we are offering.

-Speeding up the deployment of energy efficiency measures and low carbon heating will provide a fairly major economic stimulus, creating lots of skilled jobs, product markets and supply chains in the UK, and we recognise and are supporting the need for a skilled and robust supply chain to deliver the improvements to buildings. We are currently working with TrustMark, MCS and certification organisations to ensure that the supply chain is ready to support and to benefit from these schemes.

-The department for education is investing £2.5bn in a national skills fund to provide boot camps covering technical and green skills such as in housing and retrofitting, and they are working alongside my department to deliver a green jobs taskforce which is producing an action plan for net-zero skills across a range of sectors to help us reach the goal of 2M net-zero jobs by 2030.

-We are investing in skills and training, last year we invested 6M pounds in the skills and training competition which has resulted in about 7,000 new training opportunities being provided across heat pumps, insulation and wider retrofitting skills, and we are currently developing plans for a further competition this year. We want to ensure that the cost of the transition falls fairly across society and that means that as well as the

government providing support and incentive, particularly to the most vulnerable, we need to ensure that all consumers have access to attractive and affordable green finance products. We are therefore working with the industry to catalyse world leading competitive low cost green finance markets, we are putting £1.8M into the green home finance innovation fund to help develop and test green finance products. We are launching a £20M pound green home accelerator programme to drive innovation in the green lending market and to support the establishment of a diverse range of green finance products which incentivises the best energy performance improvements amongst both owner occupiers and private landlords.

-We do face an immense challenge in the future, but we have made progress, and we want to make heating our homes and workplaces much more efficient and that means we need to ensure that we have an army of skilled engineers and builders who can build and maintain homes fit for a green future.

2. Questions and discussion

Q: We have a set of retrofitting challenges to get to EPC C for the affordable housing sector by 2030, but the end position is a bit grey, there is a target for the nation to be net-zero carbon by 2050, when you retrofit, each time you go into a home, it takes time and money and has an impact. It may well be that some organisations want to retrofit to get to a future retrofit standard, but it is still grey what that standard should or might be.

A: We have set the ambition for 2035 as well as the ultimate net-zero ambition for 2050. We just don't know what the situation will be then, whether it will be more of a hydrogen future, if we will need a pure electrification of heat or if there will still be a role for some form of gas whether it be green gas or hydrogen etc. My view is that insulation measures are a no regret option whatever kind of heating system you want to put in, insulating people's homes which will be quite difficult in the UK given the age of housing stock is a no regrets option, but it is incredibly expensive. We do have a reasonable budget in my department to help deliver that. Of course, we are always lobbying the chancellor and the treasury to try to get more funding out of him. What ultimate standards we will want to move into after 2030, I don't even need to decide at this stage, we can take a view later in the decade. At the moment we do have quite ambitious targets that we are working towards and trying to find the funding for.

Q (BE): In having those conversations with the chancellor you need to present a business case in order to get the funding, the challenge that we have across your

department and the Housing, Communities and Levelling up is what timescale to use for the business case and how do you prove those environmental and climate benefits in a tangible financial way across multiple political cycles.

A: One of the problems that we have in the sector, is that the treasury works on sometimes it is only one year, this time we have a spending review lasting three years but getting some long term certainty and funding streams is something that I am very committed to because we need long term programmes, delivering secure finance over the longer period that people can rely on.

Q: Thinking about owner occupiers and I know the target is for around 2035, how do you incentivise an owner-occupier to actually make that change if they are asset rich but cash poor, they may be in later life, 25% of the population soon will be over the age of 65, they are not likely to make another major move in their life. Any thoughts on how we might make them make the necessary changes to their homes to bring the energy performance down?

A: Very difficult and political question. The current high energy prices have a fantastic incentive effect in terms of persuading people to see the merits of insulation etc. We have to accept, probably, that it is unrealistic to expect the treasury to be able to find the money to finance it all, particularly to the so called 'able to pays' and I realise that takes in from people who are just above the low income threshold right to the people who are quite able to pay but probably don't want to. Ultimately, it is going to be done by a mixture of, possibly, some incentives, regulation, public information campaigns... We need to do a lot more on green finance, we are currently looking at working with the mortgage providers to drive up the average efficiency focus in their portfolios. All these measures are incredibly politically controversial. At what stage do you say to people that they have to have their home at a certain standard, do you impose any kind of penalty if they are not at that standard? We are now looking at a range of different options. At the moment it will be a mixture of green finance products, incentives for people to upgrade their homes, but it is a difficult political challenge.

Q: You briefly touched on the acute shortage of skilled and qualified labour resources, could you talk a little more about what the government might be able to do to address that?

A: Very good point, it is not just fitting heat pumps but also insulation, external wall insulation measures etc. which all require skilled tradesmen, and we need to make sure that the work is done to appropriate standards as well. Again, my post bag is still full of complaints of people who had shoddy workmanship done, particularly cavity wall insulation in the past and the installers gone bust disappeared, and the consumers are finding it really hard to get redress on all the current schemes that we are providing funding for, all of them TrustMark



approved and guarantees are provided for the work, insurance back guarantees. But you are right, heat pumps in particular, we are funding a number of training competitions, working closely with the MCS to try to drive up the number of installers that are available. Actually, there is a lot of good work taking place in the sector itself, not financed by the government. A lot of the big manufacturers have their own training courses and centres. I visited one from Daykin and Octopus are also providing a lot of training for their installers and their providers. The DFE clearly is the lead for training, we are working together with them on the green jobs taskforce to try to make sure that we direct the workforce that is available at the appropriate areas to make sure that people are upskilled and trained for the jobs that we require because there is going to be a huge expanding industry, there will be a lot of jobs available and a lot of business opportunities.

Q: We have the technology to go to net-zero carbon today, but the cost is additional to the cost of lower performing homes and at the moment the banks aren't tending to value that asset. Is there anything in that space that we should be aware of and that covers new housing, existing stock and all commercial assets as well?

A: I have held conversations with the big mortgage providers, certainly for the private sector to try to agree to some voluntary targets with them, to drive up their portfolios and make sure that they are providing a cheap finance for people to upgrade their properties if they wish to do so. Again, this is a tricky area, we want to make the targets voluntary, it is very important that we don't give any signals that any property is unmortgageable or that people can't get finance on it because there is a vast range of properties in the UK that are much easier to upgrade than others. In the commercial sector, we're also looking at energy efficiency standards and some things that we are going to make some announcements in the next few months on.

Q: Back in the early 2000s, the government provided a fund to help housing associations identify the scale of what was required to meet what was the decent homes standards at the time. It kind of helped set up a framework to take that work forward. Is that something that you have considered or would consider?

A: Certainly happy to look at it, we have our budget set now for the next spending review period, so I can't make any promises. There are big tranches of funding coming your way, the social housing decarbonisation fund, the next £800M tranche of that will be going out to bids for in the next few months, and I am delighted to know that now you won't have to go through local authorities, you can bid directly to the fund which is something that a lot of housing associations were asking me to do, so I am pleased that we have been able to. Some aspects of that funding can be used to resurge the stock to see what can be done and to have a good understanding of what is required in your particular

sectors but also a number of accelerators, I think the current one is offered by greater London which is able to provide guidance both to local authorities and housing associations on the technical aspects of bidding and surveying of the stock. There are some really exciting developments actually in terms of computer programming and systems now which will enable remote monitoring and work to see what is available, what is required in your stock and what can be done. So can't promise directly that we will be able to provide funding for that, but indirectly you can use some existing funding to help you do that.

Q: Our problem is quite simple. 70,000 homes if we suddenly had all the money available tomorrow to put heat pumps in them, we would not be able to get enough heat pumps or people to fit them and obviously, as a provider of housing over the longer term, we want to know that we can get repair people in. How might we work with the government to get those in place and maybe some apprenticeship schemes?

A: It has to be done gradually, at the moment we have tens of thousands of gas boiler engineers, skills are relatively easily transferable, there are a number of conversion courses as I said earlier, the heat pump manufacturers are offering these courses. The DFE are working with us with the green skills job search, and we had the training competition that we did last year, and we got something like 7,000 places and are doing something again this year. It has to be done gradually, it is scaled up gradually, so it'd be across the sector, in the private sector we have the boiler upgrade scheme which is nearly £230M over three years. I think we have three or four hundred installers now registered on that scheme. The target for heat pump installations across all the different tenures and sectors is 600,000 by the end of 2028, for balance we are currently installing something like 30,000 a year, so there is a massive upscale required there, and we need to move gradually towards that, providing the skills, the training both within government and the private sector, to help people move gradually towards that, obviously working very closely with the MCS to do that, we have to make sure that the installations that are done to be the appropriate quality and standards, heat boilers are not the same as gas boilers, we must avoid giving people the impression that all you have to do is just rip out your gas boiler and stick in a heat pump and your problem is going to be solved, that is not the case. They are different technologies. They operate generally at a lower temperature and different controls and possibly upgrade to radiators etc. We need to make sure that all the installations are done properly and at the appropriate standards because if they start to get a bad reputation in the sector then that will disincentivize and discourage people from having them fitted in the future. So totally accepting that it is a big challenge, we are working with the industry and businesses to provide the necessary skills and training to take the upgrades forward. The other thing we need to do is to make sure that we rebalance gas and electricity price, traditionally in the UK, gas has been



relatively cheap compared to electricity for a number of reasons, we have to make sure that the running costs of a heat pump is equivalent or less than a gas boiler, otherwise nobody will want to switch and given the current energy prices that is a particular challenge, but we need to look at that in the longer term.

Q (BE): With an eye on the longer term, what are key policy levers that you would like to focus on to transition to net-zero whilst delivering that quality housing that we need at the same time?

A: You will get an indication of that when we publish the upcoming energy bill, which we are eagerly awaiting in parliament. There are a number of things that we need to do. I mentioned the various funds that we have, we need to try to provide incentives, the elimination of VAT is of course a good start as well. We will need to look at regulation in a number of areas and that does present some political challenges which we are currently grappling with at the moment, it is something that we need to take people with us on rather than produce a big stick and say this is what you have to do. It is difficult to persuade people to take up heat pumps when they don't really see the value of it and if their current boiler works perfectly well, why would they want to change that? You would get the green evangelists, but most people just want secure and practical means of heating their homes, so we have to show to people that the current solution to massively high gas prices is ultimately to use less of the stuff. As our production in the North Sea continues to decline we are putting ourselves at risk and making ourselves reliant on other expensive forms of energy through direct pipeline or through LNG from the rest of the world and the clean home-grown energy is the most efficient way of producing energy in the future, and it is much better for our energy security, so we can always invoke the patriotism: it is much better to generate these things at home than relying on Russia. In terms of policy levers, regulation will be particularly key as you will see what we will do in that area when the energy bill is published. I can't go into too much detail at the moment because we are still grappling with the final few policy details.

Q (BE): I wonder what your views are on the energy mix, in terms of the plans of local nuclear mini reactors and how that fits with the wider levelling up objectives of growing local economies and of course the interest of this particular group, putting the right houses at the right places at the right time. Is this leading the conversation or being led by the conversation?

A: There is huge discussion on the right energy mix, on energy security and strategy. Diversification is the key watchword, in my view we do have substantial wind resources, we need to develop them but by the very nature of it where the wind is not blowing, and we are not getting much energy out of it we have to have large scale nuclear, and we are delivering a new nuclear

authority to help drive that as well as you correctly mentioned small modular reactors. Hydrogen we will take a decision on in the next few years depending on rated technological adaptation to what quantities will be available and how should we use it best, at the moment it will probably be more useful for industrial processes for locomotives, lorries etc. rather than home heating, but we don't know yet, it depends on how cheap it is available, we find out when we launch the contracts for different schemes for it. Generally getting into all the other different forms of production, whatever is the cheapest. Solar will clearly play a role and tidal possibly if it can be brought in at reasonable cost. Mix is the key. Intermittency is going to be a huge issue with wind, we will end up with huge quantities of this stuff whilst we don't need it and not enough of it when we do need it. Whether you use it to convert and produce more hydrogen or whether there are different storage techniques and mechanisms that will come on stream it will be more cost-effective, these are all different factors that we need to consider.

Q: I have a question about the heat and building strategy. I think we missed an opportunity to bring in some technology solutions. Every house in Denmark is fitted with a weather thermostat which means you can't heat your house incorrectly. It also means that every house is the same temperature because you can't bug the system, it is wide into your boiler. So you can't misuse energy and the cost is inexpensive, I think we might have missed a trick there. Additionally, I wonder if there is a better consideration of district heating solutions and how we might stimulate that?

A: Two points. I think you are slightly downplaying the political challenges of knocking on people's doors and say: I am from the government. I came to fit a thermostat here. It is hard to do that. Second point, heat networks, again we face the problem of acceptability. In the UK we never traditionally had them, people are more used to having their own discrete form of heating that they can control themselves, and we do have increasing rollout of heat networks, we are supporting them through the heat network efficiency scheme, and I am in discussions with a lot of the heat network providers about how we can roll them out, and you are totally right in some instances it is much more cost-effective to have a heat network than it is to retrofit every individual home, so heat networks will play a massive role, and we will use the energy bill to zone local authority areas for heat networks and more importantly to give Ofgem powers to actually regulate it similarly that they have with other domestic providers.

Q (BE): It also plays into the small modular reactor, I used to work in the nuclear sector, but they create a lot of heat, and you could power a significant district heating network with a nuclear reactor, I dare say it is not particularly palatable.

A: That is a good point, but then that would of course require them to be fitted in a city area which I can see some political challenges for. There are some really good heat networks with energy from waste plants. I went to visit one in East London that is expanding and now powering thousands of homes from effectively waste heat.

Q: You mentioned some of the things that could be happening like public information films and things that we could do as providers to educate, I just wanted to explore that a bit more.

A: That's a really good point. Everybody, generally, understands how their gas boiler works, the thermostat controls, etc. Introducing the concept of heat pumps to the public, we should not kid ourselves, people have no idea what they are or how they work, it is going to be a difficult challenge, and we need to make sure that proper impartial information is rolled out and is available to help them to select them in the first place. If we're to move them on from being a fairly specialised product at the moment to wide scale public acceptance we have to make sure people can access the appropriate information on whether it is suitable for them, what they need to do before it is installed. It is very important to make sure that the house is insulated properly before you put the heat pump in, and how to operate it. It is not just the same as switching your gas boiler on. It is much more of a long term heating source because it operates at a lower temperature, generally. If you want to replace a boiler you need a hot water cylinder and there are quite exciting innovations in the market to do that. So there are a lot of different factors and we as a government can play a role in making sure that there is proper information available. We are taking the simple energy information website back into the department, and we will be expanding that to bring more targeted and focused information, working with the regulatory bodies, making sure people have got the information from an impartial source and the ability to see how they can use these things and whether they are suitable for them. You are right, we require a range of information and products and keep people up to date with the tremendous technical advances that are taking place in this sector.

Q: I would be interested in hearing your thoughts on how we can do something about stock that is very expensive to do something about, to give it more life, and how can we be incentivised to do more regeneration and refreshing of assets that are going to be required?

A: Good point. It is also something that we have to look at in terms of the regulation of the private rented sector so that we don't provide perverse incentives. Ultimately the question really boils down to what are we going to do in the owner occupied sector because of course, at the moment, it is an unregulated sector, but it is fraught with political challenges. We are well aware

of the fact that if we provide higher and higher standards for both the social housing sector and the private rented sector and don't do so much in the owner occupied sector then you just provide a perverse incentive to shift the problem to another area. We are aware of that, but there are no easy solutions, I am afraid. We are continuing to roll out what I think is a quite generous provision to housing associations and the social housing sector to help upgrade their stock and there is some great work going on, I am sure you would all like for more money to be provided but the next £800M is coming on stream later this year, and I am sure we will get some excellent bids from housing associations and local authorities in order to roll out the next wave and of course the more we do in this sector the more you all get out of it. Hopefully the costs will start to come down as well in terms of economies of scale.

Q: I just wondered whether in government there was any more that could be done to support those specifically in socially rented accommodation?

A: We've talked about the funding that we are rolling out, £800M for wave two upcoming and there are regulation limits on the rents that housing associations can charge and the maximum of course will depend on whether it is a social rent or an affordable rent, this is not really my area it is more for DLUHC. It is worth pointing out that if somebody has had their house completely retrofitted then they are going to be saving substantial amounts on their energy bills, it is not a question for me, it is a question for DLUHC, ultimately, to assess. Is it perhaps reasonable that they could put some savings in energy bills towards a slightly increased rent in order to help to finance the cost of that? It is one of the very difficult policy areas that we have to face, but we have to strike a balance between the interests of existing social housing tenants and making sure we get enough homes treated and help those in housing need as well, and we have made it clear that you are free to apply lower increases or free to reduce rents as you see fit, but it obviously has to be a decision for yourselves in terms of managing your own stock.

BE thanks BC and the guests for their time.

Meeting ends at 12:00.