

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio'r sector tai preifat / Decarbonising the private housing sector
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Ymateb gan Banel Arbenigol ar Dai, Penaethiaid Cymru o Grŵp Iechyd yr
Amgylchedd /
Evidence from Housing Expert Panel, Welsh Heads of Environmental Health Group

Decarbonising housing in the private rented and owner-occupied sectors in Wales

- **the current approach to decarbonising housing in the private rented and owner occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit:**

Reliance on decarbonisation in the private sector is currently limited to a pepperpotting approach through WG and other energy sector driven programmes including NEST, Warm Homes, ECO Flex. Although there are examples of where these programmes work well, there is too much reliance on householders themselves identifying eligibility for potential grant assistance due to meeting eligibility criteria, and limited measures being installed that although go some way towards achieving decarbonisation improvements, remain some way from actual WG targets set for 2050 (and 2030 for those in fuel poverty).

Where LAs deliver a proactive response to available funding through Warm Homes Programmes or ECO flex, this is dependent on capacity and expertise within these LAs to seek out this funding and to thereafter programme manage its delivery, if successful. In addition, where local authorities seek to work collaboratively to share expertise and secure efficiencies in project development; significant operational challenges are faced e.g. VAT rules- clarity and increased obligations.

The future approach needs to be flexible enough to allow delivery of the best/ most appropriate solution for different circumstances. For example, bigger schemes such as district heating systems may be more appropriate in towns and cities where air source heat pumps could cause noise nuisance. This could tie into any future local development plans where industry are developing / new builds.

Scheme development and implementation has often been operationally difficult with different funding streams and partners adding complexity.

- **the role of sector specific retrofit targets to help drive change:**

Targets have their place in monitoring achievement and progress, but they need to be underpinned with clarity about how they will be achieved and the delivery mechanism needs to be properly resourced. This could be on a national or area-based basis. The approach taken to date has been different depending on

whether the property is owner occupied or privately rented. With the latter having far less access to funds and has generally been perceived to be a lower priority for funding. This has led to less progress being made in the sector overall.

Proactive area based retrofit programmes could work with targets where equitable decarbonisation solutions involving all housing sectors are applied. Such an approach is not currently in existence, and would require a significant financial and capacity investment.

Deadlines have been implemented through MEES in the PRS. As a result, enforcement powers apply but are used inconsistently and infrequently by local authorities. Effective enforcement is essential to secure the value of 'targets' if there is to continue to be a reliance on enforcement activity to deliver the objectives. However, these need to be part of a bigger programme of whole sector education, support and financial assistance to secure the required results. Also essential is the commitment of stakeholders such as the lending institutions, legal services and estate agencies.

- **actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term:**

There needs to be a range of measures and incentives introduced that would be sufficiently attractive to make retrofit a financially viable option for both PRS landlords and homeowners. Options include availability of green mortgages, interest free loans through to grant incentives. Consideration needs also to be given to how such programmes would be rolled out – through a proactive area by area (geographical) or sector by sector (property tenure) or by application. Furthermore, consideration should be given to the role of LAs in this roll out? For those LAs with council housing stock, there is an opportunity to apply an area based approach when rolling out social housing retrofit so it would be a shame to miss this opportunity in the short/medium term. Furthermore, in terms of the potential enforcement of housing improvements linked to excess cold, MEES etc the legislative powers sit with LAs.

- **the key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them:**

The main challenge is resourcing, both capital and revenue to deliver the schemes. Estimates for decarbonisation measures to achieve EPC A (or close) is in the region of 75k per property utilising a fabric first approach, with costs likely to be much higher in rural communities where progress will be reliant upon air source / ground source heat pumps. This is an enormous financial investment for all involved, and unlikely going to be one that is within the reach of the majority of property owners. From a practical perspective there is much debate even with relatively straightforward social housing stock in relation to the best retrofit measures with some still under development and relatively untested.

New technologies are continuing to be developed, this presents a risk from installing measures which may, in a relatively short period of time, become outdated or can also put householders in further fuel poverty if a fabric first approach is not utilised before other internal measures e.g. air source heat pumps.

From a behavioural perspective there is much to do with understanding the acceptance of the need for decarbonisation, the use of the technology as measures are installed. Considerable reluctance and suspicion has been experienced from social tenants involved in retrofit schemes, as well as enthusiasm from a positive perspective. Therefore, to extend this experience to the private sector where participation would need to be voluntary in the main, will need a considerable investment of engagement and education in order to achieve buy in.

- **How the right balance can be struck between influencing/incentivising home owners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress:**

Traditional policy tools such as legislation and regulation, taxes and subsidies can all form part of a cohesive strategy to achieve sustainable change. To underpin the development of the right package requires good information. The Energy Performance dataset now being publicly accessible allows local authorities the ability to plan strategically and to implement education, financial assistance and enforcement campaigns. More use of this data (and other datasets not so readily available e.g. exemptions data) is essential to sustain a change.

The incentive will need to be sufficient to demonstrate a pay back in reduced heating costs as well as some measurable environmental financial impact from decarbonisation (and climate change mitigation) in order to evidence that a considerable financial and behavioural investment is worthwhile.

Private landlords, often comment that there is too much legislative 'burden' already in place; there is evidence to suggest a shrinking in the PRS markets in some areas of Wales more recently. It remains to be seen whether this market will recover over the next few years as we see the impact of Covid and more recently cost of living and Ukraine crisis working its way through. In addition, the Renting Homes (Wales) Act 2016, being implemented on the 1st December 2022 is impacting landlord decisions about renting out. An additional legislative requirement placed on PRS landlords to achieve decarbonisation targets over and above those currently seen in MEES could have a significant detrimental impact on stock availability. This needs to be counter balanced with financial and other incentivisation.

The feed in tariff was an incentive that saw real change in the mind-set of homeowners. A similar scheme could be considered as part of any future project to secure progress and change in behaviour.

Finally, Members of the Housing Expert Panel contributed to the Chartered Institute of Housing Cymru Tyfu Tai report on Decarbonisation of the Private Rented Sector in Wales. This research is a valuable resource for the scrutiny currently being conducted. The main headlines / recommendations are that:

- *Welsh Government should develop a long-term strategy for energy efficiency, fuel poverty and decarbonisation of the private rented sector (PRS) and integrate with broader objectives surrounding housing quality, fire safety and landlord licensing*
- *Welsh Government should engage with landlords and tenants in this process, including communicating the benefits of the programme alongside tailored support, advice, funding, and delivery via local 'One-Stop-Shops'*
- *New regulations and standards are needed to drive the uptake of energy efficiency in the PRS, and in meeting net zero objectives. This will require increased resource and better enforcement, especially for Local Authorities*
- *Increased grant funding and new forms of financing are needed. The affordability crisis means fuel poverty funding should increase significantly, alongside new property linked financing and tax incentives for landlords*
- *A massive retrofit skills drive is needed, requiring public investment in new apprenticeships and a Welsh supply chain for low carbon technologies*
- *Decarbonisation of the PRS will require low carbon heat, especially via heat pumps, requiring government to create a level playing field, encouraging new business models, policy changes and a subsidy regime to drive down costs*

On behalf of the Housing Expert Panel
Welsh Heads of Environmental Health Group
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