

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
11 Downing Street
London SW1A 2AA

29 September 2020

Dear Chancellor,

Comprehensive Spending Review, Infrastructure Strategy and next Budget – turning stimulus into recovery with zero carbon homes

We are writing on behalf of the Energy Efficiency Infrastructure Group (EEIG), a coalition of over 25 industry groups, NGOs, charities and businesses asking for rapid improvement in energy efficiency policy and investment for UK homes and buildings. Today we launch our new report, *Turning stimulus into recovery: from the Green Homes Grant to a resilient net zero economy*, and are pleased to share key recommendations for the Treasury.

The EEIG welcomes the £2 billion Green Homes Grant scheme as an ambitious first step to support jobs, improve up to 600,000 homes and boost economic activity across the country. But much more will be needed to retrofit the UK's 28.5 million homes to meet the net zero challenge, and there is a real risk that without a longer-term strategy and investment plan, positive progress made on green, sustainable employment and developing UK supply chains could be lost, repeating boom and bust outcomes of the past.

Recent macro-economic research from the Centre for Energy Policy at the University of Strathclyde¹ finds that only a long-term programme underpinned by public capital investment can ensure the economic benefits needed for recovery are maximised. They find that such a programme would deliver larger and more widespread energy cost savings that boost spending across the country. This drives economic expansion and could generate a greater return to the taxpayer by way of tax cuts that the expansion affords. Taken together, this would result in a larger number of jobs created in the wider economy, particularly in local retail and services, and a larger, persistent increase in GDP.

We envision a long-term programme that delivers on the Spending Review's six priorities:

1. **Stronger recovery by prioritising jobs and skills:** a long-term programme supports 190,000 jobs in energy efficiency and low carbon heat across a range of trades and across the UK to 2030; with opportunities to upskill the workforce to meet the net-zero challenge; and to work with businesses, unions and employees to ensure green jobs are quality jobs. Underpinned by public investment, the number of net additional jobs created in the wider economy – especially in local retail and services – is estimated to be in excess of 100,000.
2. **Levelling up by investing in infrastructure, innovation and people:** a long-term programme reduces household energy expenditure by £7.5 billion per year at today's prices – averaging £400 per home upgraded – doing more in regions most affected by unemployment, under-investment and fuel poverty, reducing north-south and rural-urban disparities in infrastructure, opportunity and living costs.
3. **Improving public service outcomes, including from the NHS:** the Public Sector Decarbonisation Scheme reduces schools' and hospitals' energy costs, freeing up money for frontline services. The avoidable pressures placed on the NHS by fuel poverty and cold, unhealthy homes are consigned to the past by a long-term programme, potentially preventing 10,000 excess winter deaths every year and saving the NHS £1.4 to £2 billion annually.

¹ Centre of Energy Policy at the University of Strathclyde & Bellona (July 2020) [Laying the Foundations for a Net Zero Society](#)

4. **UK as a scientific superpower:** supported by industrial and innovation strategy, a long-term programme industrialises home retrofit, driving productivity gains in the sector. New buildings' energy consumption can be halved by 2025, so too the cost of retrofitting to that standard. A heat pumps sector deal drives the creation of a mass market for smart zero carbon heat by the mid-2020s. Innovation investment accelerates the creation of new standards for the use and sustainability of construction materials and products, helping establish a circular economy. The rollout of digital infrastructure assures the carbon and energy performance of buildings, providing the investor confidence needed for a thriving market in new green financial products and services.
5. **Strengthening the UK's place in the world:** ahead of COP26, a long-term programme closes the UK's biggest gap in climate policy – for decarbonising heat – to meet the UK's domestic carbon budgets, showing how to combine ambitious climate action with economic recovery and inspiring other nations to do the same. Buoyant UK-based manufacturers with world-leading expertise in green building materials and products drive their exports well beyond the £8 billion seen in 2016. UK construction and financial service providers gain competitive advantage in foreign markets.
6. **Improving delivery of commitments:** a new National Infrastructure Bank helps reduce investment risk for decarbonising home and buildings, reducing the financing cost and drawing in capital markets and institutional investors to back new green financial products and services at scale. The new Bank assists local governments in the drawing up of investable heat and energy efficiency plans while Government continues to invest in their delivery capabilities. Councils lead on improved delivery of commitments by engaging communities, coordinating supply chains, protecting consumers and raising capital.

To arrive at this vision, the foundations for a long-term programme and investment plan for the decarbonisation, resilience and safety of our homes need to be laid through the raft of critical policy decisions anticipated by the end of this year. In its new report, the EEIG has carefully analysed pathways regarding the public and private investment needed. On this basis, our major recommendations are that by the end of 2020:

- > Through the Comprehensive Spending Review, to **allocate a further £7.8 billion of public capital to BEIS for home energy efficiency investment over the four years to the end of this Parliament**, building on the energy efficiency funding already allocated in this summer's Economic Statement; and to **allocate £5.8 billion of public capital over the next four years towards supporting heat pumps deployment in existing homes** – drawn from the £100 billion infrastructure budget for this Parliament.
- > In the National Infrastructure Strategy, to **designate zero carbon heat and energy efficiency as infrastructure investment priorities** and proceed to **establish a new National Infrastructure Bank** to bridge economic recovery with achieving net zero, as well as to play an important role in governing delivery and attracting private investment for decarbonising homes.
- > Use the Budget to **introduce a suite of new structural incentives to drive demand for home energy upgrades** using Stamp Duty, a Landlords Energy Saving Allowance, reduced VAT and to explore a carbon price on natural gas use with compensatory measures.

In addition, we recommend that HM Treasury work with BEIS to chart the path to zero carbon homes:

- > To **extend the retrofit project completion timeline of the Green Homes Grant by at least six months** and ensure strong delivery of its and other near-term measures' first phase, using them as a launchpad for a long-term programme and investment plan for decarbonising homes.
- > In BEIS' Heat & Buildings Strategy, to **bring forward the EPC C target to 2030, set a new target to halve emissions from heating existing homes by 2030**, and set out how to deploy new capital allocations for energy efficiency and heat decarbonisation to complement structural incentives.
- > In BEIS' Fuel Poverty Strategy, to revise the measurement of fuel poverty as proposed, and **place health and wellbeing along with locally led delivery at the heart** of how Government intends to meet the 2030 fuel poverty target.

Without a long-term programme to follow the Green Homes Grant, industry will lack confidence to plan longer-term and invest in the jobs and skills needed for a sustainable green recovery. Government can build on current momentum and use energy efficiency and zero carbon heating as a recovery engine to support jobs, industry and clean growth over the long run.

This is the moment to spark a home renovation revolution that supports economic recovery and position the UK as the world leader in decarbonising buildings. We are committed to helping you to secure that vision.

We would welcome the opportunity to discuss these recommendations with you further.

Yours sincerely,



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About the Energy Efficiency Infrastructure Group

The Energy Efficiency Infrastructure Group is a growing and broad-based coalition of over 25 industry groups, NGOs, charities and businesses asking for rapid improvement in energy efficiency policy for UK homes and buildings. While it represents the views of the EEIG as a whole, this letter does not necessarily represent the views of its individual members.

