



House of Commons

Business, Energy and Industrial  
Strategy Committee

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**Energy efficiency:  
building towards net  
zero: Government  
Response to the  
Committee's Twenty-  
First Report of Session  
2017–19**

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**First Special Report of  
Session 2019–20**

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## Business, Energy and Industrial Strategy Committee

The Business, Energy and Industrial Strategy Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Energy and Industrial Strategy.

### Current membership

[Rachel Reeves MP](#) (*Labour, Leeds West*) (Chair)

[Vernon Coaker MP](#) (*Labour, Gedling*)

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### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the Committee's website at [www.parliament.uk/beis](http://www.parliament.uk/beis) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Gary Calder (Media Officer), Ian Cruse (Committee Specialist), Rebecca Davies (Clerk), Matthew Eaton (Committee Assistant), Alison Groves (Second Clerk), James McQuade (Senior Committee Assistant), Becky Mawhood and Ashleigh Morris (Committee Specialists).

### Contacts

All correspondence should be addressed to the Clerk of the Business, Energy and Industrial Strategy Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5777; the Committee's email address is [beiscom@parliament.uk](mailto:beiscom@parliament.uk)

# Eighteenth Special Report

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On 12 July 2019, the Business, Energy and Industrial Strategy Committee published its Twenty-first Report of Session 2017–19, [Energy efficiency: building towards net zero](#) (HC 1730). The response from the Government was received on 12 September 2019. The response is appended below.

## Appendix: Government Response

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### Introduction

On 12 July 2019 the Business, Energy and Industrial Strategy Select Committee published their report on energy efficiency. The report makes 25 recommendations to which this document provides a response.

The report draws the conclusion that a major upgrade of the energy performance of the UK's entire building stock will be a fundamental pillar of any credible strategy to reach net zero emissions, to address fuel poverty and cut energy bills. The report also concludes that Government is presiding over failed policy which needs to be revived to get back on track to meet energy efficiency targets.

### Government view

The Government agrees wholeheartedly that energy efficiency is a fundamental pillar of our approach to reaching net zero emissions, addressing fuel poverty and cutting energy bills. This is why the Government has set ambitious energy efficiency targets.

The Government disagrees that energy efficiency policy is failing. Since 1990 the energy demand of the average home has fallen by 16%, emissions from non-domestic buildings have reduced by over 20% and emissions from business and industry have halved.

Energy efficiency has been an important part of this reduction in energy demand. For example, over 2 million homes in Great Britain, more than 1 in 14, have benefited from energy efficiency measures under the Energy Company Obligation since 2013. Investment in energy efficiency delivers benefits for individual households and businesses and the public purse is saving over £100m per year thanks to progress against our Greening Government Commitments.

We do, however, agree that a significant increase in deployment rates will be required in order to deliver the transition to net zero. In the Clean Growth Strategy we set out our strategic aims for energy efficiency on homes, businesses and the public sector within the context of our legally binding fuel poverty and carbon reduction targets.

We remain committed to achieving the aims set out in the Clean Growth Strategy and considering where we can go further in the context of our net zero commitment. Since publishing the Clean Growth Strategy have made clear progress on the policies to deliver those aims. Progress includes:

### *Public Sector*

- Continued to enable greenhouse gas emission reductions through the Public Sector Energy Efficiency Loan Scheme managed by Salix Finance. To date, Salix Finance has funded over 17,000 projects in the public sector, reducing greenhouse gas emissions and achieving estimated savings to the public sector of more than £70 million in 2018/19.
- Agreed a 43% greenhouse gas emission reduction target for government departments by 2020 (based on 2009/10 levels), having achieved the original target of a 32% reduction, three years earlier than required, saving the public purse an estimated £112 million in 2017/18.

### *Business*

- Continued to build on existing programmes and policies that incentivise energy efficiency such as the Climate Change Agreements scheme (worth over £200 million a year across 53 industrial sectors) and the Energy Savings Opportunity Scheme.
- Introduced a new Streamlined Energy and Carbon Reporting framework under the Companies Act from April 2019 to make it easier for businesses to identify where they can save energy and reduce emissions, and disclose action they have taken.
- Launched the £18 million Industrial Heat Recovery Support programme to increase industry confidence in identifying and investing in opportunities for recovering and reusing waste heat from industrial processes and increase the deployment of recoverable heat technologies in industry.
- Announced a £315 million Industrial Energy Transformation Fund to support businesses with high energy use to cut their bills and emissions through increased energy efficiency and help them transition to a low carbon future.
- Committed £6 million to the current Boosting Access for SMEs to Energy Efficiency (BASEE) competition to develop new business models or solutions that reduce costs, simplify processes and encourage the take-up of energy efficiency by SMEs at scale. This aims to overcome access to finance barriers around scale.
- We also plan to consult on tightening the non-domestic minimum energy efficiency standards, which we introduced for privately rented non-domestic buildings in April 2018, in summer this year and are continuing work to develop an energy efficiency scheme for SMEs as announced at Spring Statement this year.

### *Homes*

- Introducing Private Rented Sector Minimum Energy Efficiency Standards regulations, and further strengthening these from April 2019, to require landlords

to contribute up to £3,500 towards domestic energy efficiency improvements. We will be consulting on the trajectory for raising those standards over time later in the year.

- Reformed the Energy Company Obligation to focus on those households in or at risk of fuel poverty, increasing support for poorer and vulnerable households from £310 million per year to £640 million per year. ECO is worth £640 million a year and has already installed 2.5 million measures since 2013. We have confirmed that investment in energy efficiency will continue, at least at the level of the current ECO, until 2028.
- Implemented the majority of the Each Home Counts review recommendations on consumer advice, protection and standards, including launching the reformed TrustMark Government endorsed quality scheme in October 2018 and publishing new technical standards for domestic retrofit in June 2019. We are consulting on incorporating the new quality scheme and standards into ECO through secondary legislation in Autumn 2019.
- Launched the Buildings Mission, the first Clean Growth Grand Challenge mission, to halve the energy use of new builds by 2030 and halve the cost of renovating existing buildings to similar levels of energy performance.
- Announced the Future Homes Standard for new build homes to be future-proofed with low carbon heating and world leading levels of energy efficiency by 2025, to create healthy homes that are fit for the future, have low energy bills, and are better for the environment.
- Launched a £10 million innovation challenge fund to reduce the cost of whole house retrofit and a separate £5 million innovation fund to support the development of innovative green finance products to enable homeowners to improve their homes
- Launched and funded six local supply chain demonstration projects, which focus on reducing the cost for retrofit and building supply chain capacity whilst also addressing the non-financial barriers to deeper retrofit, such as supply chain fragmentation and the high hassle costs of installing measures.
- Launched Simple Energy Advice, a new digital and phonenumber service launched last year to provide homeowners with impartial and tailored advice on how to cut their energy bills and make their homes greener, as well as information on any available financial support.
- Allocated budget to BEIS's Local Energy Hubs to carry out feasibility studies with local authorities on using fiscal incentives to encourage homeowners to improve their homes.

# Government response to BEIS Select Committee's recommendations

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The BEIS Select Committee Inquiry published their conclusions and recommendations on 12 July 2019. This section provides a Government response to each of the 25 recommendations made by the Committee.

## Recommendation 1 – Define the EPC C 2035 target assumptions

It is unacceptable that 18 months after publishing the Clean Growth Strategy the Government is yet to define the condition of “where practical, cost-effective and affordable” that it pinned to the EPC Band C targets. This serious flaw creates policy ambiguity that requires clarification. We recommend that the Government in the first instance sets out the proportion of houses it deems “practical”, “cost-effective” and “affordable” to upgrade to EPC Band C, as well as clear definitions of what these terms mean to provide clarity and accountability.

### *Government response*

Currently, around 17 million homes in England are below EPC Band C. Our preliminary estimates suggest that delivering our EPC C aspiration will require mobilising between £35–£65 billion of investment to improve homes below EPC C across the UK.

The definitions of “practical”, “cost-effective” and “affordable” will vary depending on the context. Defining these too prescriptively could lead to undesirable outcomes as such definitions may not result in least cost decarbonisation. As a result, we have used a scenario based approach to explore the implications of a range of definitions.

Our analysis suggests that our EPC C aspiration for all homes represents good value for money both for Carbon Budget 5, and in the context of achieving net zero. However, the optimal level of energy efficiency for the UK is dependent on our preferred heat decarbonisation pathway.

For our preliminary estimates of the cost of delivering our EPC C aspiration we ran a model of the housing stock, installing measures that improved each property to EPC C at the lowest cost. We then imposed constraints reflecting possible definitions of “practical”, “cost-effective” and “affordable” to better understand how these might impact the measures installed and investment required. We used a number of illustrative assumptions about these criteria in order to derive the indicative cost range of £35 to £65 billion:

“Cost effective”: we defined as the net cost to society of abating 1 tonne of carbon dioxide equivalent and only packages of measures in a house below the cost effectiveness threshold could be installed. This was varied between £100–£200t/CO<sub>2</sub>e.

“Affordable”: was based on the total investment required in a house and only packages of measures below the affordability threshold could be installed. Note that this was an upper limit on spend in each property and the average spend was considerably lower. We set this affordability limit at £5000 plus a percentage of property value which was varied between 2–4%.

“Practical”: defined as the percentage of pre-1929 properties that could be treated with solid wall insulation to account for the practical challenges of this particular measure. Even if a property could not be treated with solid wall insulation as a result of this constraint, a number of other measures could be installed. We varied this percentage that could be treated with solid wall insulation between 25–75%.

## **Recommendation 2 – Set out the capital investment required to achieve EPC C targets**

We recommend that BEIS sets out with greater precision how much total capital investment will be required to meet its EPC Band C targets, as the range of the current estimate is too wide to be helpful. We strongly recommend that the Government does not use the caveat it attached to its EPC Band C targets as a means to minimise costs, and instead the Government’s ambition should meet what is required to reach the goals of the Paris Agreement.

### ***Government response***

Our overall goal is to support least cost decarbonisation for the UK in line with Carbon Budget 5 and our net zero commitment. We are clear that the built environment will need to be almost completely decarbonised by 2050, and that achieving this must be through a mix of energy efficiency and a transition to low carbon heat. The optimal level of energy efficiency to achieve this goal is dependent on our heat decarbonisation pathway, and therefore we believe that more specific investment figures could be misleading.

The range of investment mobilised to meet our EPC C aspiration is linked to the assumptions we make about “practical”, “cost effective”, and “affordable”. We have set out the assumptions we used to derive these investment figures in response to recommendation 1.

Furthermore, these investment estimates are based on current capital costs, which we are working to reduce through a range of policy levers, such as the use of innovation support and long-term, transparent approaches to regulation.

## **Recommendation 3 – Public funding required to meet EPC targets**

We also recommend that BEIS determines how much public funding will be needed to leverage enough private investment and to consider the available evidence which indicates that a minimum of £1 billion per year of additional public capital investment will be necessary. We further recommend that BEIS strongly makes the case for energy efficiency and negotiates with HM Treasury ahead of the Spending Review to guarantee that adequate investment is secured to resuscitate the Government’s efforts to meet its EPC targets.

### ***Government response***

We are building the market for energy efficiency by getting market enabling measures in place, testing new approaches at scale, and providing targeted support for those most

in need. The Government recognises that energy efficiency will have a key role to play in meeting our target of reaching net zero emissions by 2050, and will set out further details of our plans for decarbonisation in the infrastructure strategy later this year.

#### **Recommendation 4 – Treat energy efficiency as a national infrastructure priority**

We recommend that the Government follows the advice of the Committee on Climate Change—and almost all stakeholders in the sector—to treat the energy efficiency of all buildings across the UK as a national infrastructure priority and implements the policies to reflect this.

##### ***Government response***

We do not believe that deeming energy efficiency a “national infrastructure priority” is a pre-requisite for action on energy efficiency. Government recognises that energy efficiency will have a key role to play in meeting our target of reaching net zero emissions by 2050, and will set out further details of our plans for decarbonisation in the infrastructure strategy later this year.

#### **Recommendation 5 – Assess the funding needed to deliver an energy efficiency infrastructure programme**

A more comprehensive assessment by the National Infrastructure Commission is required on the funding needed to deliver an energy efficiency infrastructure programme. It is crucial that this assessment takes into account the Government’s fuel poverty and carbon reduction targets. We recommend that the Government asks the National Infrastructure Commission to produce a dedicated report on energy efficiency that quantifies the investment needed to meet its EPC targets.

##### ***Government response***

The Government recognises that energy efficiency will have a key role to play in meeting our target of reaching net zero emissions by 2050, and will set out further details of our plans for decarbonisation in the infrastructure strategy later this year.

#### **Recommendation 6 – Supplement ECO with Government funding for fuel poverty**

We conclude that central funding for fuel poverty is needed. We recommend that the Government follows the example of the devolved nations by supplementing ECO with central Government funding for fuel poverty.

##### ***Government response***

Supplier obligations have been effective at reducing emissions in Great Britain for over 20 years. Since the Fuel Poverty Strategy was published in 2015 we have reformed the supplier obligation to improve the focus on low income and vulnerable households, increasing the funding available for energy efficiency in poorer and vulnerable households from £310 million per year to £640 million per year. In the Clean Growth Strategy we committed to

extending support for energy efficiency out to 2028, with at least £640 million of funding each year. This means over £6 billion will be invested in domestic energy efficiency over the next decade. New spending decisions are for future fiscal events.

We have committed to review the Fuel Poverty Strategy for England in 2019 and published a consultation with our proposals on 22 July 2019. As part of that review, we are considering the policy mix required to meet the fuel poverty target. This includes considering the appropriate mix of financial support, regulations and incentives and considering the design of the successor scheme to the Energy Company Obligation (ECO) which we expect to commence from 2022.

### **Recommendation 7 – Introduce funded statutory duties for Local Authorities to address fuel poverty**

Different areas have different fuel poverty challenges, and local authorities are best placed to tailor and target support to where it is most needed. We recommend that the Government develops a formula to allocate central funding to local authorities based on need. Local Authorities should be subject to a new statutory requirement to spend these funds on energy efficiency in vulnerable homes but should retain flexibility in how they do so.

#### ***Government response***

We agree that Local Authorities can play an important role in identifying the homes that most need support. That is why we have introduced 'Flexible Eligibility' within ECO. This allows Local Authorities to make declarations determining that certain households in fuel poverty or with occupants on low incomes and vulnerable to the effects of cold homes are eligible for support. This approach was trialled under ECO in 2017–2018, and in the new ECO scheme that launched in late 2018 increased the proportion of the obligation that can be delivered through flex from 10% to 25%.

We do not plan to create new statutory duties for Local Authorities. We are providing support through the BEIS Local Energy Programme, for example the Rural Community Energy Fund supports communities to develop renewable energy projects which provide economic and social benefits to the community. The Local Energy Programme is also helping to develop new investment models as part of the Green Finance Strategy to enable local areas to draw in social impact and commercial investment to fund local energy priorities. UK Research and Investment have made funding available through the 'Prospering from the energy revolution' Industrial Strategy Challenge Fund which aims to unlock the potential of intelligent local energy systems for the UK—which will be necessary to ensure that all consumers, including the fuel poor can benefit as part of the energy transition. In addition to these initiatives we will seek to ensure that future schemes continue to make the most of the skills, expertise and access to households that are most in need of support that exists in Local Authorities throughout Great Britain.

## **Recommendation 8 – Establish a national fund for fuel poor households to apply for support**

It is vital that no fuel poor home should fall through the gaps if they are not identified by either their energy supplier or their local authority for assistance on energy efficiency. We recognise the value of Wales' Nest and Scotland's Warm Homes schemes in providing a safety net of national funding to which all fuel poor homes can apply. We recommend the Government establishes a central national fund to provide access to assistance for all low-income, vulnerable and fuel poor homes.

### ***Government response***

We have committed to review the fuel poverty strategy by the end of this year. As part of that review, we are considering the policy mix required to meet the fuel poverty target. This includes considering the appropriate mix of financial support, regulations and incentives and considering the design of the successor scheme to the Energy Company Obligation (ECO) which we expect to commence from 2022. We will consider this recommendation as part of the design of the next generation of fuel poverty schemes.

## **Recommendation 9 – Discount the Warm Home Discount contribution to the fuel poverty target**

It is disingenuous of the Government to include the Warm Homes Discount in the energy efficiency fuel poverty figures as this distorts evidence of progress and obscures the true number of households that will be missed under the Government's 2030 statutory target. We recommend that the Government no longer counts the Warm Homes Discount towards fuel poverty energy efficiency targets.

### ***Government response***

The Government does not agree. The fuel poverty target is based on the energy efficiency of properties due to the energy cost savings generated by improving energy performance. Whilst energy efficiency is the best long-term solution to tackling fuel poverty it is not the only way of reducing energy costs. The methodology factors in energy cost savings from the Warm Home Discount for households receiving the £140 rebate directly off their energy bill. We feel it is right to acknowledge this real-life contribution to the reduction of energy costs. This enables flexibility to support households where the energy efficiency of the building may not be able to be improved.

## **Recommendation 10 – Refocus the Winter Fuel Payment**

Funds for lowering energy bills should be targeted in a cost-effective way and should seek to achieve lasting change. In principle, we are in favour of refocusing the Winter Fuel Payment to those most in need. However, we recognise that unintended consequences, such as high administrative costs, may limit the cost effectiveness of any change. We recommend that the Government assesses the value of refocusing the Winter Fuel Payment to those most in need and using any savings to invest in energy efficiency programmes for fuel poor households.

### ***Government response***

The Winter Fuel Payment is a Department for Work and Pensions policy. There will be no change to the universal nature of the Winter Fuel Payment for the length of the Parliament. Winter Fuel Payments were introduced in 1997 to help older people meet the costs of heating their homes in winter. The payment gives reassurance to pensioners that they can keep warm during the colder months.

### **Recommendation 11 – Implement TrustMark**

Over two years after the publication of the Each Home Counts review, the Government has no excuse for the delays in implementing all of the recommendations. The longer the Government neglects this issue, the more people are at risk from sub-standard interventions in their homes. We recommend the Government immediately brings forward the necessary secondary legislation requiring ECO funds to be spent only with companies accredited by the new Trustmark quality scheme. We recommend that the Government puts in place the necessary monitoring and feedback mechanisms to ensure that the Trustmark scheme is operating effectively to provide consumers with adequate protection.

### ***Government response***

We published a consultation on 6 August on proposed changes to ECO, including incorporating the TrustMark Government Endorsed Quality scheme into ECO3, to ensure comprehensive consumer protection processes and guarantees are in place. Subject to the outcomes of that consultation, we intend to legislate to make this change this autumn.

### **Recommendation 12 – Implement the recommendations of the Each Home Counts review, including on personalised and tailored advice**

A system to provide personalised and tailored advice is vital for the building of public engagement and consumer trust in energy efficiency. We recommend the Government implements the other recommendations of the Each Home Counts review, including expanding the information hub to provide access to trained advisors who can give customers tailored and personalised support.

### ***Government response***

We have implemented the majority of the Each Home Counts recommendations, including a consumer charter, code of conduct, the reformed Trustmark quality scheme and new technical standards. These have been implemented alongside the Simple Energy Advice Service, which is the first major step towards a holistic information hub for domestic consumers. We are exploring the best way to further develop the advice for consumers by linking it to the TrustMark scheme following the implementation of secondary legislation.

### **Recommendation 13 – Publish the energy efficiency ‘Action Plan’ to meet the EPC C 2035 target.**

We recommend that the Government publishes its energy efficiency ‘Action Plan’ without further delay to explain how it intends to meet its EPC Band C 2035 target. We recommend that the ‘Action Plan’ drastically increases the £5 million allocated to the Green Home Finance Innovation Fund, to underpin a coordinated demonstration programme that tests a comprehensive and varied package of incentives and finance mechanisms for the ‘able to pay’ market. This should include a Stamp Duty incentive and low-interest loans, in addition to green mortgages. This demonstration programme needs to go well beyond the Green Home Finance Innovation Fund to be delivered at scale. We further recommend that the Government engages seriously with the retail banks to put in place the necessary enticements to ensure that attractive energy efficiency products that can be delivered on a nationwide basis are developed.

#### ***Government response***

To meet our Clean Growth Strategy aspiration for all homes to achieve EPC Band C by 2035, the Government is working across all tenure types, developing policies and initiatives that will increase the rate of energy efficiency installations. Owner-occupied homes especially present a significant challenge as they include some of the worst performing properties and account for 64% of the UK’s housing stock. To better inform our approach in realising our targets, alongside the Clean Growth Strategy, we called for evidence on building a market for energy efficiency where we sought views on the Government’s role in overcoming existing demand and supply side barriers and stimulating the market to improve the energy performance of owner-occupied homes through more direct interventions.

Informed by the results of the call for evidence, we are developing a suite of mutually supporting policies to help build a vibrant and sustainable market for energy efficiency. Good progress has been made since the publication of the Clean Growth Strategy through implementing and announcing several key initiatives that support the home energy retrofit supply chain and improve the advice available to consumers. Six local supply chain pilots are in operation focusing on reducing the cost of retrofit, a new digital and phone line service, Simple Energy Advice, launched last year to provide impartial and tailored advice to homeowners and tenants and the launch of a new quality mark for home energy improvements following the Each Home Counts review will provide greater consumer confidence in the quality of installations. In the Green Finance Strategy, we also set out several key actions to better stimulate the able to pay market. The Government announced the £5 million Green Home Finance Innovation Fund that will support the development and piloting of green mortgages and other green home finance products. The outcome of the scheme will be used to inform the development of future policy to build a market for green home finance. To facilitate green finance investment, Government have made EPC open data available for stakeholders to use. We also committed to consult on requirements for lenders to support homeowners to improve the energy efficiency of homes in their portfolios and continue to engage with a range of lenders to inform this consultation.

The Government is also undertaking innovative studies in conjunction with BEIS’ Local Energy Hubs and a range of local authorities to explore the use of fiscal incentives to

encourage homeowners to improve the energy efficiency of homes. Further announcements are planned in due course. Government will consider whether further spend is appropriate at future fiscal events.

### **Recommendation 14 – Increase the private rented sector cost cap to £5,000**

The Government should be more resolute in its approach to regulating the energy efficiency of the private rented sector, so only exceptional and exorbitant costs can be avoided by landlords. We are concerned that current ceiling of £3,500 that is attached to the Minimum Energy Efficiency Standards (MEEES), allowing landlords to claim an exemption if works exceed this level, seriously restricts the scope of the regulations. We therefore recommend that the Government raises the current cost cap attached to the private sector regulations to £5,000 so the regulations achieve closer to the 70 per cent upgrade of the lowest rated properties that was envisaged when first developed.

#### ***Government response***

The consultation on amending the Minimum Energy Efficiency Standard Regulations which ran from December 2017 to March 2018 proposed capping the amount of landlord contribution to £2,500 per property. However, in recognition of consultation responses and informed by additional modelling and analysis undertaken for the Final Impact Assessment, we concluded that setting the cap at £3,500 would strike a good compromise between ensuring a meaningful number of EPC F and G private rented sector properties are improved, while protecting landlords from excessive costs.

Modelling showed that a cap of £3,500 would enable 48% of EPC F and G properties to be improved to EPC E (as opposed to the 32% indicated at the consultation stage) with the remaining 52% all able to make some level of improvement while not reaching EPC E. Our analysis showed that the average cost of improving an F or G rated domestic private rented property to EPC E is likely to be around £1,200, while the average cost for those making as much progress as possible towards Band E is estimated to be £2,000.

The Government believes a cap of £3,500 represents an appropriate and workable compromise that will enable a significant improvement to be made in the proportion of properties reaching EPC band E, improving those properties not able to quite reach band E, while addressing concerns of those worried about the potential impact on landlords of imposing too high a financial commitment. The improvements, which will be delivered as a result, will also represent an important contribution towards our commitment to improve the energy efficiency rating of fuel poor homes to Band C by 2030, mindful of the interim fuel poverty milestone of Band E by 2020. We will consult in due course on a trajectory to higher EPC rating requirements for the private rented sector and consider appropriate provisions for landlord contributions as part of this, as committed to in the Clean Growth Strategy.

## **Recommendation 15 – Ensure that the Minimum Energy Efficiency Standards are enforced**

We welcome the Government’s strengthening of the Minimum Energy Efficiency Standards, but with strained local budgets and competing priorities, we are concerned that there is weak enforcement of the regulations by local authorities, making them effectively valueless. We recommend that the Government rigorously monitors enforcement of the regulations and properly resources local authorities to ensure that they have capacity to impose the standards.

### ***Government response***

In November 2018, BEIS launched a year-long pilot study involving seven Local Authorities across England. The overall objective of the pilot study is to help current understanding of enforcement of the minimum standard, including gaining an insight into the challenges faced by authorities, with a view to improve implementation and inform long-term policy making. Effective enforcement is crucial to the success of the minimum standard policy and underpins a tightened trajectory for delivering our 2030 CGS ambitions.

BEIS has provided funding to each of the seven authorities taking part in the pilot study to design and apply relevant approaches and tools to identify and gather information on sub-standard properties and their landlords; to engage with and raise awareness of the Regulations amongst both landlords and tenants to promote compliance; and to put in place an effective enforcement strategy. BEIS intends to use the learnings gained as a result of the pilot study, due to conclude in December 2019, to develop an enforcement best practice ‘toolkit’ to be shared with enforcement authorities across England and Wales and to inform our decision about the best approach to take for further action on enforcement of the minimum standard.

## **Recommendation 16 – Agree a trajectory for social housing minimum standards**

We recommend that the Government acts with urgency to agree a trajectory and strategy for the social housing minimum standards. We recommend that the Government carefully considers the recommendation of the National Infrastructure Commission to allocate £3.8 billion to social housing between now and 2030. If the Government does not accept this recommendation, it should clearly set out in its response to the National Infrastructure Commission an alternative approach to upgrading this tenure. Once the Government puts a delivery mechanism in place for the social housing tenure, we recommend that social landlords are required to have a 30-year plan showing how they will manage their stock to ensure the tenure is aligned with the UK’s climate obligations.

### ***Government response***

We will consider this recommendation further alongside recommendations by the National Infrastructure Commission in this area. The National Infrastructure Strategy due to be published this Autumn will include the Government’s response to the NIC recommendation.

BEIS is working closely with MHCLG, as the lead department on social housing, to explore the most appropriate mechanism for setting an energy efficiency standard in the social rented sector.

Social housing can demonstrate leadership on improving energy efficiency and has already made significant improvements in the quality of its stock so that it is significantly more energy efficient than homes in other tenure types. The Social Housing Green Paper stated that, in reviewing the Decent Homes standard government will consider whether the energy performance of social homes should be upgraded, where practical, cost effective and affordable, in line with the Clean Growth Strategy. The government response to the Green Paper Consultation is due to be published in September.

Social housing landlords can also play a key role in helping to drive cost reduction in energy efficiency improvements given their economies of scale and longer investment timescales. BEIS has recently launched a £10 million innovation project to demonstrate a cost reduction trajectory in whole house retrofit, through carrying out deep retrofit to substantial number of similar properties. This project is likely to involve significant upgrade of social housing. However extra effort will be needed beyond this to upgrade the social housing stock to the required levels to meet carbon targets. Government will consider whether further spend is appropriate at future fiscal events.

## **Recommendation 17 – Legislate for the Future Home Standard**

We recommend that the Government legislates for the Future Homes Standard as soon as practically possible—and by 2022 at the very latest—to guarantee that no more homes by 2025 are built that need to be retrofitted. We recommend that the Government considers policy drivers at its disposal to drive early uptake. At a minimum, the Government should put in place a compulsory ‘learning period’ from 2022 in a subset of properties in preparation for the full-scale deployment. The Government should oblige bigger housebuilders to undertake regional demonstration projects to show how they will achieve the standard.

### ***Government response***

The Future Homes Standard will ensure new build homes are future proofed with low carbon heating and world leading energy levels of energy efficiency. To deliver the Future Homes Standard we will introduce uplifts to Part L of the Building Regulations by 2025, subject to consultation. We plan to work closely with industry and stakeholders to ensure that the Future Homes Standard can be delivered by 2025. We will consider these recommendations and provide more detail on our plans to implement the Future Homes Standard in the forthcoming consultation on Part L of the Building Regulations due later this year.

## **Recommendation 18 – Ensure new homes are built to current minimum standards for new dwellings.**

It is unacceptable that new developments are not always built to the latest building standards. The classification of what counts as a commenced building project is too lax. This provides developers with a loophole that allows them to claim a project is too far

advanced to meet changes to Building Regulations. As a result, a substantial number of new homes are being built to outdated standards. If loopholes are not closed it will almost certainly be much later than 2025 before we actually see houses with “world-leading” levels of energy efficiency built. The Government cannot continue pandering to housebuilders’ claims that delivering the latest standards would stall development. We recommend that the Government urgently closes those existing loopholes that allow homes to be built which do not meet the current minimum standards for new dwellings. The Government must ensure that the most recent building standards are complied with in all but exceptional circumstances.

### **Government response**

The transitional arrangements for the Building Regulations aim to give developers certainty and avoid delays to the delivery of new homes that might occur should housebuilders have to revisit designs once development on site has started.

Building developments can stretch over several years and we recognise it is important to keep pace with advancing standards, thus we will explore how to better implement higher build standards and bring forward clean heating and world leading energy efficiency whilst considering how best to maintain certainty for developers in the forthcoming consultation on Part L of the Building Regulations due later this year.

### **Recommendation 19 – Ensure that the EPC provided to the home purchaser must be the most current version**

Those who purchase homes that are built to outdated standards should not be provided with EPCs that are based on outdated modelling. This typically results in their energy efficiency rating being overstated, so when the homeowner goes to renew their EPC they will find that they have been misled. We recommend that the Government requires that the EPC provided to the home purchaser must be the most current version.

### **Government response**

When a property is sold or let, it is already a legal requirement that the new owner or tenant must be provided with the most current version of the EPC. The most current version of the EPC is the version that has most recently been lodged on the EPC register—there is no version more current than this.

The validity period of an EPC is currently 10 years and there is no requirement under the Energy Performance of Buildings Regulations to provide a new EPC unless an EPC expires and the property is subsequently sold or let. There is no requirement to recalculate the EPC rating based on more recent modelling. This is because the EPC that is ‘lodged’ and stored on the EPC register database is a final output of the relevant approved National Calculation Methodology model and the inputs used to create the EPC are not stored on this database. It is therefore not currently possible to recreate the original EPC based on a subsequent update of the model and reissue the EPC with an updated rating.

Government updates the National Calculation Methodologies to acknowledge technological advances, external factors such as changes in the generation mix of the grid and fuel prices, and to reflect new evidence. These changes help building models to more accurately reflect the energy performance of homes.

The Government has sought evidence on the performance of EPCs and the suitability of the current EPC system in relation to current and emerging uses. The Call for Evidence on EPCs asked for views on how EPCs could be kept more up to date, including the option to reduce the validity period of EPCs or to require a new EPC to be produced when works are done to the building which are likely to influence the EPC rating. We are currently analysing the responses to this call for evidence and will set out our position in due course. Responses to the Call for Evidence will inform future policy development in this area.

### **Recommendation 20 – Ensure ‘as built’ performance of homes is better monitored**

We recommend that the Government ensures the ‘as built’ performance of homes is better monitored. The Government should incentivise the voluntary take up of ‘as built’ testing while it puts in place a suitable framework for this to become mandatory. The direction of travel must be for the Government to mandate percentage level testing of ‘as built’ thermal performance of new dwellings and for housebuilders to be required to publish their results.

#### ***Government response***

Government has launched a funding scheme, known as Smart Meter Enabled Thermal Efficiency Ratings (SMETER) to invest up to £5 million to develop, test and demonstrate technologies that measure the thermal performance of homes using smart meter and other data.

We will consider the future role of these approaches and technologies to verify as-built performance on site in the forthcoming consultation on Part L of the Building Regulations due later this year.

### **Recommendation 21 – Require housebuilders to provide the information used to calculate energy performance of the home to the purchaser.**

We also recommend that the Government requires housebuilders to provide the information used for the Standard Assessment Procedure calculation to the purchaser. Should this be incorrect there is then a ‘risk of discovery’ and the housebuilder would be open to a legal claim through existing routes.

#### ***Government response***

We will consider ways in which the information flow from the developer to the purchaser can be improved in the forthcoming consultation on Part L of the Building Regulations due later this year, including improvements to the Standard Assessment Procedure.

## **Recommendation 22 – Agree a trajectory for Minimum Energy Efficiency Standards for commercial buildings**

The market is not delivering change at the pace needed within the commercial sector and neither is the current regulatory framework. The Government should act swiftly to agree a trajectory for the ratcheting up of the Minimum Energy Efficiency Standards for commercial buildings. We recommend that the Government assesses the viability in raising the Minimum Energy Efficiency Standards for rented commercial properties to EPC Band B by 2035, with milestones of D and C in the lead up time.

### ***Government response***

The Government agrees that an ambitious regulatory framework in the non-domestic rented sector has a vital role to play in improving the standard of the building stock, alongside wider efforts to build a sustainable non-domestic energy efficiency market. That is why the Government has committed to launch a consultation outlining the future trajectory for minimum energy efficiency standards in the private rented sector, which we intend to publish by the end of 2019. The consultation will set out an analysis of the benefits and drawbacks of setting interim targets to the trajectory options. We will analyse the consultation feedback before taking a view on whether phased milestones will be the most effective method for implementing any future target.

## **Recommendation 23 – Disclose operational energy data for the commercial sector**

The strengthening of design ratings will not deliver the full energy efficiency potential available for commercial buildings. There is strong evidence that mandatory operational ratings can successfully reduce energy use. We recommend that the Government moves to the public disclosure of operational energy data for the commercial sector, and the use of rating tools that focus on performance outcomes, from 2020.

### ***Government response***

The Government agrees with the substance of this recommendation. Though there are fewer commercial and industrial buildings than homes, they vary in type, size and use, and along with public sector buildings account for a third of UK emissions from the built environment. That is why in order to deliver net zero it is important to not only improve the quality of non-domestic buildings, but to also ensure that non-domestic buildings are operated in ways that maximise their energy performance potential. Successful international schemes such as the NABER's scheme in Australia show the effect that an operational rating scheme can have when energy performance is disclosed and benchmarked in a way that is easy to understand and up to date.

The Government is continuing to engage with key stakeholders on this issue, to understand how in-use energy performance ratings can be effective in the UK for private sector non-domestic buildings.

## **Recommendation 24 – Improve the Energy Savings Opportunity Scheme to increase business investment in energy efficiency**

The Government should improve the Energy Savings Opportunity Scheme (ESOS) so that it is more obviously geared towards driving business investment in energy efficiency. We recommend that the Government requires ESOS audits to be publicly available and to mandate that businesses in scope of ESOS demonstrate that they have acted on the energy saving opportunities identified.

### ***Government response***

An evaluation to review the impact and effectiveness of ESOS has been completed and will be published by the end of 2019 alongside a Post Implementation Review (PIR). The evaluation and PIR identified areas of ESOS that could be strengthened to maximise the scheme's impact and to support the ambition of improving business energy efficiency by at least 20% by 2030. Several scheme improvements are being considered including whether to make audits publicly available and mandate that businesses demonstrate they have acted on the energy saving opportunities identified. We expect to consult on proposals for future reform of the scheme in early 2020 with any potential changes brought in for the next phase of ESOS from December 2022.

## **Recommendation 25 – Extend the Future Homes Standard to new commercial buildings**

We see no reason why the “world leading” levels of energy efficiency that will be provided by the Future Homes Standard cannot be extended to new commercial buildings. In the upcoming review of Building Regulations, we recommend the inclusion of an equivalent energy efficiency standard for the development of commercial buildings, not just homes. By 2025, no new commercial buildings should be built that will require energy efficiency retrofits.

### ***Government response***

New commercial and industrial buildings are complex and heterogenous, and Part L of the Building Regulations has made significant improvements to their energy performance. The Government is working to identify the most effective way to ensure that commercial and industrial buildings in the UK can also be designed and built for excellent energy and carbon performance, and will consider the future of energy efficiency standards for non-domestic buildings as part of a consultation on Part L of the Building Regulations due later this year.