

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Datgarboneiddio tai / Decarbonisation of housing
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Ymateb ychwanegol gan Cymdeithas Genedlaethol Landlordiaid Preswyl (NRLA)
Additional evidence from National Residential Landlords Association (NRLA)

Inquiry on decarbonisation of housing in Wales – follow up questions

20th May 2022

About the NRLA

1. The National Residential Landlord Association (NRLA) thanks the committee for the opportunity to comment on the delivery of decarbonisation of housing in Wales.
2. The National Residential Landlords Association is the UK's largest membership organisation for private residential landlords, supporting and representing over 95,000 members. The association was created from the merger of the RLA and NLA in April 2020. NRLA members range from full-time landlords running property portfolios to those letting single bedroom flats.
3. We help our members navigate these challenges and proudly offer some of the most comprehensive learning resources and market-leading intelligence available in the sector. We seek a fair legal and regulatory environment for both landlord and tenant and actively lobby the Government on behalf of our members.
4. We thank the committee for the opportunity to answer the following questions.

1. How suitable are Energy Performance Certificates (EPC) as the metric to chart progress? What alternatives could and should be considered?
 - This depends on what you want to chart progress against. An Energy Performance Certificate (EPC) is designed to measure the potential energy consumption of a property.
 - The EPC is a visual guide that measures the Energy Efficiency Rating (EER) for a property against a set criterion (revised regularly) for example the time it takes to heat a room, based on mains gas as the fuel. The cheapest energy is rewarded: mains gas.
 - The EER looks at a property from a perspective of how little energy is used to heat the property, from insulation to draughts, electricity used to light a room (LED lighting favoured). It can be used to chart progress on the fabric of housing in Wales. It does not

measure actual energy usage. It also does not show how the user of the property conserves energy.

- This metric for the private rented sector is the Minimum Energy Efficiency Standards (MEES) which a landlord must ensure the property reaches a rating of E (EER) or above, or be on the exemption register. It is this that is used when advertising of a property.
- The EER rating is predisposed towards mains gas, as this is the cheapest way to heat a home. It does not support the installation of a heat pump or even off-grid gas which do not. Therefore, a person is penalised against this approach to decarbonise their property. It does not measure usage and does not take into account consumption.
- The Environmental Impact Rating (EIR) is also on the EPC, which measures the potential carbon used to heat or light a room. This again is based on a carbon metric of the grid, rather than actual usage, and makes certain assumptions on grid carbon content. This metric would see a move towards grid electric heating, which has a lower carbon output but is more expensive than gas. This metric would be more useful in measuring carbon consumption in a property than an EER, if focus is on the net zero carbon emissions target.
- The EIR is not currently the legally required metric under MEES, and so is not commonly used to advertise properties.
- EPCs do not take into account other policies such as air quality and mechanical ventilation, which are recognised as increasingly important for occupier health and wellbeing.
- In relation to alternatives, a move to measuring energy consumption in real terms would allow an understanding of what carbon/energy use is in the property. This can be assessed against averages and projections for property types and the number of people living in the property, and a programme can be built on reduction of carbon.
- This would need to be supported by a document e.g. a property passport based on the archetype on what changes can be made to the property and a log of works that have already been completed. This should include the trajectory that the property has to go on to reach net zero.
- A survey of every property in Wales would be required as well as a mechanism to update the information on a regular basis.
- In addition any such approaches would need to consider cost and how it will be paid for by landlords and property owners.

2. What are the potential advantages and disadvantages to continuing an area-based approach to retrofit measures, as with the previous Arbed scheme?

An area-based approach to decarbonisation or energy efficiency retrofit measures would be welcome. However, it must be across tenure with specific measurable outcomes, or it will not support the delivery of the governments aims of net zero.

- A cross tenure approach would also need to address the issue of affordability or lead to delays in achieving net zero. Who funds those that cannot afford works and what is the formula to decide who can afford to undertake the work? Costs would also need to be transparent and competitive, to encourage take up.
- Individual property assessments would need to be undertaken. Currently there is no empirical data on housing but rather best guess or theorisation. It is only from this that a

plan can be derived otherwise it is guess work which could bring additional cost and delay to projects.

- A basic model would have to be built which is transparent and explains all the relevant costs and benefits, of the proposed retrofit. This would be required to gain confidence and buy in from the public. Especially given there is no current need to retrofit owner occupier housing and private rented works within Minimum Energy Efficiency Standards (MEES).
- Any area-based scheme should be focused on measures that could not be done otherwise or would be best delivered at scale in an area.
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- To not involve all households in a street creates a problem as costs would increase for those having the works. An understanding of all household's willingness to do the works needs to be understood and the works that are required.
- The scheme would also need to be competitively priced if it is to appeal to the private sector, (85% of the housing stock). If it is too complicated or more expensive than privately sourced, then it will not be taken up and alternative methods to hit the target will be required.

3. To what extent is the Welsh Government sharing learning from the Optimised Retrofit Programme more widely with the housing sector, and how this could be improved?

- It is not sharing learning to the private rented sector. The NRLA proposed that part of ORP2 should be used to establish the energy footprint of properties (of all tenures) and behaviours in properties which could then be used for further works based on archetypes and common energy consumption patterns. This could be shared and models developed for how people can make savings. This was not taken forward.
- Optimised retrofit undertakes an assessment of a property and then applying the most appropriate/optimised way to reduce the carbon footprint of the property. It is based on a whole house approach. Outcomes are property specific but can illustrate the challenges or best practice approach for similar properties and approaches.
- As a result, the sharing of information based on archetypes would be useful and this should be in an open-sourced document. This would allow people to know what has worked and what has not worked and would give indicative costings.
- However, consideration must be given to the way that the private rented and owner occupier sectors do not generally work on a whole house approach. Work to improve or maintain the property tends to be incremental as wear and tear or damage demands.
- We would suggest that a mapping exercise of all properties in Wales should be done to understand of the scale of challenges that are being faced and the ability to develop the skills and supply chains to deliver.

4. What are the potential risks of imposing higher energy efficiency standards on private landlords, particularly in light of the current cost of living crisis, and how these can be mitigated?

This is not a devolved power to the Welsh Parliament. The Westminster Government consulted on a change to MEES in 2021 and we await the Government response to the consultation. Attached is the consultation response from the NRLA.

- The proposal to move to an Energy Performance Certificate (EPC) C or Energy Efficiency Rating (EER) or Environmental Impact Rating (EIR) could see many properties leave the sector, especially under the EIR. The costs to do so would make many of the properties uneconomically viable to be rented out. This is based on cost of works against the debt on property and rental yield.
- These proposed changes could potentially see many properties leave the private rented sector as it would not be financially viable to rent out. This would be compounded by the proposed rent cap being introduced. This is specifically around an EIR and the costs associated with bringing the property up to the requirements of the EIR rating against the value of the property. NRLA survey data of landlords in Wales shows that only 39% of landlords expect their properties will meet the new proposed standard. While 62% of landlords will consider selling their properties before 2028.

5. What should local authorities' role be in supporting property owners to improve the energy efficiency of their properties?

- Local authorities have a vital role to play, in supporting the transition to a lower carbon footprint of housing but they need to be adequately funded to undertake the required step change and understand the scale of the challenges.
- Training and understanding the scale of issues in areas is important. A property passport for each property would allow for a baseline to be established about the scale of the challenge and the works that will be required to hit a net zero target. It could also highlight opportunities for future developments such as district heating.
- A survey of all housing in the local area, types, ages, works needed and how funding could be available, will support local businesses to adapt to the changing environment and upskill to meet the potential demand.
- Many landlords and property owners already have their own tradesman and supply chain. Local authorities need to understand how these work and how to support them as they will not look to local government as their first choice for performing works. Particularly if the cost is above typical market rates.
- Support could include identifying and developing trusted traders to deliver works, as well as using trading standards to target those that do not deliver it. The local authorities could also look at measures to improve skills in the local workforce.
- Consideration should also be given to reforming the planning process for some of the works. Using permitted development for pre-approved designs which are open source would allow for more works to be undertaken and cut down delays.
- Local authorities should provide a repository of best practice which property owners can access for retrofit works. This should show the works that are needed and the order to do works based on archetype, age and learning from properties similar to that. This should

come out of the optimised retrofit programme, which is why it should not be limited to social housing. This will involve working with owner occupier, tenants, landlords and social providers in what is possible for areas.

- Finally local authorities have a role to play in supporting behavioural change by supporting owners and tenants on the transition and how to live in properties which have been decarbonised.

6. How can local authorities and housing associations be encouraged to explore alternative methods of financing?

- To hit the target of net zero, local authorities will have to have a paradigm shift in how they approach financing of housing (all tenures). This will include how they approach residents as well as developing and communicating new models to residents to deliver net zero. If the net zero target is to be hit, the current financial approach cannot support the change.
- It will not be one but a blend of all financial products that are available.
- The Development Bank of Wales will need to play a role in the provision of loans and finance to those who cannot afford commercial loans.
- This will include looking at unlocking innovative models such as the regulated asset base, issuing bonds, PACE (property assessed clean energy financing), low cost loans, as well as undertaking securing charges on properties.
- There needs to be an understanding of those that can pay and those that can't pay and what is the mechanism for the person to make changes to the property.
- Financial literacy and understanding of what consumers are buying needs to be clear to prevent mis-selling and poor application of products which will then be negatively perceived in the media, local community and other potential customers.
- A development of oversight of those developing these products to avoid debt mismanagement and mis-selling.
- Where people cannot afford works to be undertaken, what will be the threshold and how will this be calculated. An understanding of costs and risks will be required, especially around repayments and defaults.
- To do this they will have to be guided by government(s) and have a better understanding of risk, and regular reporting by local authorities that is open and transparent.

7. To what extent does the Welsh Government have a clear picture of the skills currently available in Wales, and the skills needed to decarbonise at scale?

- We do not have data on this so cannot specifically comment. Feedback from members does indicate a lack of skilled people to do energy efficiency works however.
- The NRLA has called for property passports/logbooks, to give a clearer understanding of the challenges that the sector is facing. An individual property assessment would allow for a picture to be developed of all housing and works that are required.

8. To what extent do businesses in Wales have the requisite skills to support the challenge of housing decarbonisation. What more should the Welsh Government be doing to encourage the development of green skills?

- The challenge is we do not know what needs to be done. Therefore, the requisite skills will also be an unknown.
- There is an assumption of what the gap is, but there is no hard data. This is why the NRLA has called for property passports/logbooks for every property in Wales, along with a survey of all housing.
- When the regulations are changed/updated the market will adapt and business will upskill and meet the needs of landlords to meet these new standards.