



Decarbonisation of housing in Wales

1. How suitable are Energy Performance Certificates (EPC) as the metric to chart progress? What alternatives could and should be considered?

- a. **EPC's are viewed as not-fit-for-purpose** because they estimate the cost of energy rather than the carbon impact. EPC's therefore do not always align with zero carbon measurements. Under this measurement, it is possible that a property supplied by gas will achieve a higher EPC rating than one with a heat pump because electricity is more expensive than gas.
- b. **More research would be helpful ahead of detailed targets:** The *Better Homes, Better Wales, Better World* report recognised the limitations and suggested some alternatives or work on the environmental section of EPCs. More research would be helpful and we understand that this is work that is being looked into by the Decarbonisation Implementation Group (DIG).
- c. **Building in flexibility as technology and approaches change is important:** The wording: *EPC A 'or equivalent'* is important, as this, for example, would include passivhaus homes which are zero carbon but not EPC A.

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

- a. **Good community relations:** The area based scheme by its nature reaches everyone. Some of our members have stated that it fosters cohesive communities and good relationships between neighbours – as everyone in the area is able to receive energy efficiency improvements
- b. **It catches those that fall between schemes or whose situations are changing,** for example, those who may be living in fuel poverty but are not eligible for Nest. In-work poverty is rising and many tenants are not on means-tested benefits, meaning they're not eligible for Nest even though they may be living in fuel poverty. The Arbed scheme tackled this problem. A



further example includes elderly people who only receive a small pension and don't have the money for improvements. Melin Homes has reported that Arbed made a huge difference to thousands of people.

- c. **Identifying the right areas is key:** Some learning from Arbed is that an area-based approach could be more effective if a more sophisticated means of identifying the right areas were adopted. Poor quality housing is a contributor to fuel poverty and it has hugely negative effects on health. If areas could be chosen that take this into account, there is a better chance of targeting those living in fuel poverty.

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?

- a. **There is much more to be done. We want to play our part:** CHC is organising a webinar with the Welsh Government and the Active Building Centre to support the sharing of ORP learning. We have also been part of sector wide peer to peer learning programmes such as communities of practices to support colleagues to share experiences. We are not aware of any other channel which is sharing the learning from the programme.
- b. **Whilst learning as you go is key our members say that it is still early days:** Longer 'lead' periods are needed for grant funded demonstration projects. They are currently at a survey, tender and mobilise stage for the schemes.
- c. **Whilst sharing knowledge with the housing sector is crucial we must not forget the importance of cross sector learning:** this could be a helpful way of building understanding in the supply chain and getting upstream of any problems and issues.

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?

N/A

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

N/A



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

- a. **We recognise decarbonisation is a huge investment and a blended approach is needed:** the [Future Generation Commissioners report](#) estimates the cost for social housing to be £5.5bn.
- b. **Housing associations cannot do this alone.** They are facing cumulative pressures on their business plans, they cannot scale up their routine maintenance investment (RMI) or be able to access traditional borrowing at the level that will be required to meet this challenge. Significant subsidy, an achievable time period for work, plus off-balance sheet financing mechanisms are necessary.
- c. **We need a proper research programme to develop a range of off balance sheet financing options which can sit alongside government investment.** There are a number of interesting ideas about how we might do this which include the Welsh Energy Services Company proposed by the Future Generations Commissioner and New Economics Foundation and others from our membership. It is essential that this work is prioritised ahead and that a blended funding model is in place ahead of any new standards imposed on the sector.
- d. **We understand it is complicated. We are trying to do something huge in Wales by decarbonising housing quickly.** What's most critical during the next few months is to move forward quickly on developing a firm plan, a roadmap that creates confidence and encourages our members to think creatively about the part they can also play to create a credible funding package.
- e. **It is positive to see the final Welsh Government budget allocate an additional £35m FTC on top of the £72m general capital already allocated in the draft budget to explore funding models.** It will be used to test and develop new funding models to help accelerate the scale and pace of the decarbonisation of Welsh homes.
- f. **We have had some positive early conversations with Welsh Government officials to speed up a research programme to explore a range of off balance sheet financing models and work them up.** We established a Financing Decarbonisation Task & Finish group to begin this discussion and will aim to feed in our expertise into Welsh Government - who are keen to move things forward at pace. We welcome this.
- g. **This work is crucial. Housing associations cannot be expected to respond to a new standard and target without a workable funding**



mechanism in place. The Welsh Government must commission detailed research and development to work with the sector to explore off balance sheet funding mechanisms. This needs to be completed and a longer term funding package in place well before any new standards are introduced.

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?

- a. **The Welsh Government and Data Cymru [report](#) provides a high level snapshot of the skills needed** - e.g. 10,700 workers and specialists, 2,500 construction managers, 2,800 plumbers, 1,400 labourers, 800 retrofit co-ordinators. ('The labour market of tomorrow', March 2022).
- b. **It's hard to say with firm confidence that the Welsh Government has grasped what skills currently sit within the social housing sector, even if the desire to understand is there.** There's more work needed between the Welsh Government and our sector to get there.
- c. It will be interesting to see how the WG's new body, [Net Zero Industry Wales](#), will support Welsh industry to decarbonise and create new jobs in the green industries of the future.

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?

- a. **It is in our interests as a nation to make sure that we meet this challenge.** The opportunity to create local good quality jobs and support SMEs is huge.
- b. **We will only do it with some certainty and a longer term plan.**
- c. **Housing associations can play an important role through in-house teams and relationships with local suppliers.** This should be a valuable asset to support and enable the decarbonisation of homes, provided that such workforce are equipped with the appropriate skills and knowledge. E.g those teams can help with things like exterior wall insulation, installing solar panels and battery storage, installing and servicing air source heat pumps.
- d. **Ultimately, ensuring Wales has the pipeline of skills needed is going to happen through partnership** - across our own sector, with the Welsh Government, and with other institutions and bodies in the community.



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