# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **Increasing the Scale and Rate of Residential Energy Efficiency Retrofit in Wales** |
| **DATE** | **16th November 2017** |
| **BY** | **Lesley Griffiths, Cabinet Secretary for Energy, Planning and Rural Affairs and Rebecca Evans, Minister for Housing and Regeneration** |

The Environment Act sets out our ambition to reduce emissions in Wales by 80% by 2050. The evidence tells us that to do this, emissions from buildings will need to be close to zero. Currently, emissions from homes equate to approximately 15% of Wales’ total emissions.

Achieving reduced emissions of this scale will require new homes and buildings to be much more energy efficient. It will require energy efficient appliances and changes to the way we heat our buildings. Crucially, it will also require a dramatic up-scaling of energy efficiency retrofit works on existing homes. Around 70% of homes that will exist in the 2050s will have been built before 2000 and we have some of the oldest and least thermally-efficient building stock in Europe. Improving their energy efficiency is the most cost-effective means of meeting our commitments to reduce carbon emissions, it lowers costs for consumers and directly addresses fuel poverty.

Improving the energy efficiency of homes can contribute to environmental, social and economic objectives. Energy efficiency can improve health outcomes as demonstrated by our own Fuel Poverty Data Linking Project, which shows energy efficiency measures installed through our *Warm Homes Nest* scheme are having a significant positive effect on the respiratory health of recipients and a positive impact on emergency hospital admissions for both cardiovascular and respiratory conditions, with a knock-on reduction in the use of our NHS.

Energy efficiency actions can also contribute to economic objectives through developing green growth, jobs, skills and supply chains. The ratio of jobs to capital spending for housing repair and maintenance is 32.6 jobs per £1 million spent. This compares to 15 jobs for major infrastructure projects. In 2012, a WWF Cymru and Energy Saving Trust report estimated improving homes from energy efficiency ratings E, F and G to energy efficiency rating D can reduce the average annual fuel bill by £600. Wales is in the rare and fortunate position of having an energy efficiency supply chain covering all aspects from manufacturing through to installation.

The *Welsh Government Warm Homes* programme, which is made up of our demand-led Nest and area-based Arbed schemes, is designed to tackle fuel poverty by improving the energy efficiency of the homes of people on low incomes or living in the most deprived areas of Wales. Since 2011, we have invested over £240 million in *Warm Homes* to improve the energy efficiency of over 45,000 homes throughout Wales, making them warmer and more affordable to heat. The *Warm Homes Nest* scheme has also provided impartial advice and support to over 98,000 households, helping them to improve their energy efficiency and maximise income. We are extending eligibility for free home energy efficiency measures to low income households where people suffer with certain health conditions which are vulnerable to the cold and this is being piloted in limited areas this winter. We are investing a further £104 million in the Programmeover the next 4 years (2017/18 to 2020/21) to improve the energy efficiency of a further 25,000 homes.

In parallel, our 222,000 social homes are required to meet the Welsh Housing Quality Standard (WHQS) by 2020. This includes achieving an energy efficiency standard of SAP (Standard Assessment Procedure) 65 or higher (equivalent to an Energy Performance Certificate D rating). In March 2017, 88% of social homes had achieved SAP 65 or higher. We invest £108 million in WHQS every year, in addition to around £500m per annum invested by landlords. This work includes improving roofs, doors and windows and installing energy efficient boilers, thus contributing to the energy efficiency of our housing stock.

We have made a great deal of progress but more needs to be done. We must better join up our work within and outside Government and we must continue to work together across Government, the Public, Private and Third Sectors to better understand the problems, find solutions and sources of funding and be able to make a step change in the efficiency of our housing stock.

Initially, in line with *Prosperity for All*, we will take a cross-Government approach to ensure we understand how our efforts are delivering the outcomes we need. We will use the Valleys Taskforce to trial new ways of integrating investment in our housing stock with other programmes to deliver energy efficiency improvements.

We will continue to work closely with the Swansea Bay Region City Deal to deliver its vision, including the Homes as Power stations project, which aims to place the region at the forefront of energy innovation in the areas of sustainable house building and retrofit to address fuel poverty. We have recently announced funding, as part of the Innovative Housing Programme, for a scheme with Pobl housing association to help roll-out the Homes as Power stations model.

We are working with mortgage providers to understand how energy costs and savings can be better incorporated into mortgages, placing energy efficiency higher on the priority list for buyers, and encouraging sellers to invest in energy efficiency to make their properties more attractive to buyers.

In the medium term, between now and 2020/21, we will improve our evidence base to better target activity and spending beyond 2020. We want to understand all options for scaling up energy efficiency retrofit activity, particularly how we motivate and stimulate the ‘able to pay’ sector to take action. We will also examine how we will continue to support people on low incomes, including those in or at risk of fuel poverty, outside the scope of existing programmes.

We will use the evidence we have gathered to develop an integrated programme to build on *Welsh Government Warm Homes* and the Welsh Housing Quality Standard (WHQS) in the long term, once our existing programmes come to an end.

We will continue to work with the Private Sector and others to identify potential sources of finance and any barriers to private investment. We will be meeting with the Energy Efficiency Financial Institutions Group, which represents over 60 major funding bodies from the UK and mainland Europe to understand what we can do to make large-scale retrofit schemes in Wales attractive to both investors and home-owners alike. Alongside this, Government will continue to invest over the long term to support this agenda and drive decarbonisation of the housing sector.

We will also develop our new long term approach to the ‘able to pay’ market. We know creating a trusted environment, where householders feel safe and motivated to carry out improvements to their homes to become more energy efficient, is difficult to achieve. This is clear from unsuccessful attempts by UK Government, such as the Green Deal. But we must find a way. The effective implementation of the independent, industry-led *Each Home Counts* review will form part of this. This will improve quality and standards for all retrofit energy efficiency and renewable energy installations. We will also consider what is needed in light of the UK government’s *Clean Growth Strategy*. Drawing on this evidence, we will develop options and scope and analyse the potential demand for new interventions, and examine how services could be established, operated and funded, whilst also examining the economic impact and supply chain opportunities for the Welsh economy.