After the Green Homes Grant – what's next?

Event Summary

On 20 April 2021, Policy Connect held an online roundtable to discuss the early closure of the government's Green Homes Grant and recommendations for replacement schemes in light of the UK's 2050 net zero greenhouse gas emissions target. This document was produced as a post-event write-up by Policy Connect. While it was informed by the roundtable discussion, it does not necessarily represent the views of all those in attendance.

Key themes and topics:

- Consistency
- Timescales
- Skills and accreditations
- Government relationships
- Lessons from the Green Homes Grant
- Recommendations for replacement schemes

Consistency

The roundtable discussion found that the closure of the Green Homes Grant scheme after just six months of operation created a feeling of inconsistency surrounding energy efficiency policy and its future trajectory among consumers and industry. This was further exacerbated by the design and administration of the scheme and the challenges it created for those attempting to access it. Consequently, the initial enthusiasm of consumers and confidence of businesses has been undermined, potentially jeopardising the uptake of, and support for, future schemes.

In particular, the owner-occupied market may now be disincentivised as a result; some applicants are still waiting to hear whether vouchers will be issued for their quoted retrofits. A response to a parliamentary question revealed that by 22 February 2021 more than 110,000 applications had been submitted to the scheme, but only 25,000 vouchers had been approved. The inconsistency of short-lived and recalled schemes, such as the Green Homes Grant and similar predecessor schemes, may cause further delays for energy efficient renovations as consumers and industry wait for future grant schemes.

However, applicant data demonstrates that the Green Homes Grant proved popular with consumers. Government must now win back the confidence of consumers and particularly industry, who have been bruised by this and previous failed policies and nurture security through consistent, long-term policy.

Timescales

Industry, businesses and educational providers require more time to develop robust skills and supply chains, and to develop the necessary confidence to invest. The scheme's initial timespan was insufficient to allow the industry and market to respond and mobilise mass retrofitting. For example, the Construction Leadership Council was unaware of the Green Homes Grant scheme prior to its public announcement, and consequently did not have the opportunity to advise that businesses needed more time for installers to acquire the specialist skills and qualifications required to meet consumer demand. Providers need a timeline of one to two years to upskill staff to successfully perform energy efficient home installations.

Indeed, government should ideally map a comprehensive, national retrofitting strategy over the next twenty years. By planning strategy over this period, government would simultaneously nurture a substantial able-to-pay market for retrofitting, along with the necessary logistical infrastructure to meet demand. Government previously implemented such a long-term policy approach particularly successfully in the transition from coal-powered energy to renewables. Two key aspects of policy enabled effective decarbonisation:

1. Early establishment of a clear regulatory backstop for coal-fired power stations; government made clear that such stations would have no commercial viability within twenty years, and this had cross-party support.
2. Incentives to invest in renewables were consistent, allowing technology to decrease in price until subsidies were no longer required.

Fossil fuel boilers in the home often have a lifespan of ten to twelve years; this makes it particularly urgent that government provides a multidecade policy trajectory to phase these out as soon as possible.

Skills and accreditation

Accreditation posed significant challenges for businesses wishing to participate in the Green Homes Grant. In particular, potential early adopters found it challenging to find appropriately accredited installers. The accreditation challenge was twofold: providers find existing frameworks excessively complex, and the Green Homes Grant did not allow sufficient time for businesses to upskill.

All professionals engaged in assessing or installing energy efficient measures in existing homes must comply with PAS 2035/2030 issued by the British Standards Institution (BSI) and developed with sponsorship from the Department for Business, Energy & Industrial Strategy (BEIS). The complexity of becoming PAS 2035/2030 accredited put off businesses who were otherwise enthusiastic to deliver retrofitting services. Of 306 interested members of the Federation of Master Builders, only three became fully accredited. In addition to complexity in access, accreditation is also costly for businesses. These barriers were exacerbated by the short-lived nature of the scheme, which left accredited businesses unable to recover the costs of accreditation due to lost retrofitting work. This has undermined confidence within the construction industry; future schemes will be met with hesitancy if they do not address ease of accreditation and operate on a longer timescale.

More comprehensive coordination of retrofitting materials, activities and standards would further support future schemes. This could give rise to energy efficiency passports for homes akin to Energy Performance Certificates; this would provide an overall gap analysis rather than reliance upon multiple assessments for different aspects of the home. In future, a central body may be best placed to enforce retrofitting amongst

private and social landlords, especially since local authorities do not currently have the necessary specialist skills or resources. However, government 'industrialisation' of retrofitting would not be suitable for the owner-occupied market, where individual homes and circumstances vary drastically.

Government relationships

Roundtable attendees expressed concerns regarding intragovernmental relationships and government's relationships with industry surrounding the Green Homes Grant scheme. Differing objectives across departments directly contributed to the eventual closure of the scheme. The Treasury sought a 'shovel ready' approach to create rapid economic stimulus but has so far been reluctant to provide substantial financial backing for long-term government policy towards net zero. The Treasury's concerns over potential fraudulent use of the scheme also contributed to its withdrawal. There was broad consensus that short-term policy will not act as a successful replacement for the guaranteed, long-term strategy which industry and businesses require to prepare. For example, government departments' individual spending pitches may not promote the level of consensus required to provide financial longevity for future schemes. To provide meaningful strategy and inspire confidence, government departments must work together more cohesively.

Government should also involve industry as a substantive partner in scheme development from the outset. In the case of the Green Homes Grant, industry did not have opportunity to communicate the practical requirements of mass retrofitting to government, and consequently could only respond to strong consumer demand to a limited extent.

Government must recognise that, currently, it is not able to deliver energy efficiency schemes alone, and must work systematically with industry. Again, a central coordinating body external to government departments may provide a solution, and some progress has been made in the establishment of the Construction Leadership Council.

Lessons from the Green Homes Grant

In addition to these themes, the roundtable shared a range of different reflections on the Green Homes Grant scheme, which included: significant consumer enthusiasm, the narrowness of the scheme, and that it did not go far enough.

Despite the scheme's unexpected closure, it has been successful in demonstrating a high level of consumer and industry interest in incentivised retrofitting. The essence of the scheme was attractive, and remains an effective economic stimulus and crucial element of the road to net zero. This demand makes a strong case for a similar replacement scheme, without the obstructive bureaucracy or compressed timeline of the Green Homes Grant.

The range of adaptions covered by the Green Homes Grant was insufficient to make the necessary impact upon home energy efficiency to meet the government's 2050 net zero target. For example, no water efficiency adaptions were covered by the scheme, despite the fact that heating and transporting water consume significant energy in the home. This further demonstrates the need for a more cohesive evaluative framework to assess overall home efficiency.

The £10,000 value of vouchers issued also did not meet the actual cost of average retrofits, with some consumers receiving quotes in excess of £25,000 when a heat pump was included. Beyond the adaptions it covered, the scheme itself did not go far enough; it did not represent real investment in industry supply chains, product research, upskilling school leavers, or engaging householders' understanding of options on the market. In short, the Green Homes Grant incorrectly assumed stakeholders could respond to the scheme at the drop of a hat.

Finally, the Green Homes Grant has been instrumental in demonstrating that this type of scheme is possible and how industry has responded positively, even within a short timeframe and complex bureaucracy. Industry invested rapidly in jobs, training and skills, and actively promoted the grant until delivery at scale was almost achieved. Therefore, a similar scheme delivered in partnership with industry could bring successful outcomes.

Recommendations for replacement schemes

Replacement schemes are urgently required to harness the consumer demand revealed by the Green Homes Grant and ensure the UK meets its targets to reduce greenhouse gas emissions, 14% of which are produced by home heating. Consistency, long-term timescales, and government relationships should be the core principles of successful replacements. The roundtable arrived at the following specific recommendations for replacement schemes:

1. Government must include **all homes** within any future schemes. While a shift of focus to social housing is welcome and likely to prove easier logistically, these homes represent only 11% of the problem; government must support owner-occupied homes and private landlords in the energy efficiency transition. This will require government to implement and coordinate a range of concurrent schemes to suit different markets.

2. Government must utilise **lessons learned** from decarbonising the British power grid. Enforceable regulatory backstops give a clear indication of when all buildings must reach specific energy efficiency standards or when fossil fuel heating systems will be phased out. Government should work with financial services, including mortgage companies, to ensure support is accessible to the majority of homeowners. The tax system must also be aligned with net zero, with benefits tapered over time to favour early adopters.

3. Government should define and implement **building passports**, which would make clear how and when homes can be made energy efficient. This implies a need to train more retrofit coordinators, and may provide liability transparency for mortgage providers who could then provide financial support to consumers. Government must invest in public engagement to raise consumer awareness of the additional benefit of reduced heating bills.

4. Government should design future schemes to match the timescales in which action must be take (e.g. the next **ten years**) to allow industry to develop skills and provide investment confidence. Schemes must be designed in partnership with industry and road-tested through pilot schemes.

5. Homeowners must have confidence that retrofitting will be completed to a high standard; future schemes must provide simple access to trusted suppliers. Government should **work with industry** to make existing accreditation schemes more accessible and create more routes for

installers to train and become accredited. This will encourage more businesses to become licensed and remove bureaucracy.

These features may necessitate multiple schemes to cater to the diversity of the UK's homes. By following these recommendations and working with industry as a development partner, government can replace the Green Homes Grant scheme in a way that would be welcomed by consumers and businesses and effectively contribute to achieving the UK's 2050 net zero emissions target.

Roundtable participants

Anglian Water
The Bathroom Manufacturers Association
Baxi
EAC
Energy Efficiency Infrastructure Group
E.On
Federation of Master Builders
Green Homes Grant applicants
Groupe Atlantic UK
Historic England
House of Commons
IGEM
The Insulation Assurance Authority (IAA)
Knowledge Transfer Network
National Grid
Nesta
Rockwool
Smart Energy GB
Taylor Wimpey
The University of Manchester

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We lead and manage an extensive network of parliamentary groups, research commissions, forums and campaigns. We are a London living wage and Disability Confident employer and a Member of Social Enterprise UK, and have been operating since 1995. Our work focuses on key policy areas including: health; education & skills; industry, technology & innovation; and sustainability. We shape policy in Westminster through meetings, events, research and impact work.

Our mission is to lead the development of new policy ideas through evidence and collaboration.