

Deep thinking: running the rule over UK party manifestos for residential energy efficiency

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Britain's political parties have been in a race to declare increasingly ambitious carbon targets in the run-up to the election. But what matters most is the policy ingredients that are necessary to deliver on these lofty goals. This is particularly so for the major task of decarbonising our homes, requiring deep retrofits on an unprecedented scale. On the energy efficiency front there are welcome commitments to new expenditure in the manifestos of all three major parties, albeit to very different levels of ambition. But there remains a lack of clarity on the financing mechanisms themselves that will drive cost efficient change.

Increasing targets, decreasing activity

Earlier this year two reports were released that laid clear the scale of the challenge ahead and how energy efficiency activity has perversely been heading backwards.

First the Committee on Climate Change (CCC) published its [Net Zero advice report](#) on meeting the 2050 target. This showed that in addition to the need for tighter regulation of all new builds and retrofitting properties off the gas grid, necessary action includes getting to grips with the mass of homes heated by piped gas. Updating heating systems for this group will take a minimum of 15 years and even to meet the pre-existing carbon targets requires immediate action to ensure supply chains develop in time. Alongside the change in how we heat, a significant ramp-up in insulation activity is also required, particularly for homes with solid walls.

The picture was therefore clear. Yet just two months later came the [BEIS¹ Committee findings](#) that laid stark how activity in the able-to-pay sector has fallen off a cliff since the end of the CERT² scheme in 2013. Their report found that renovation in England specifically needs to

increase by a factor of 9 to be on track even to meet pre-existing targets. The Committee concluded that “a comprehensive package of incentives and finance mechanisms for the ‘able to pay’ market” is essential.

Are the party manifestos up to this challenge? To be concise, we focus on the three largest national parties while recognising the important policies of other regional and national parties.

The Conservatives: extra money, little detail

The [Conservative manifesto](#) pledges £6.3 billion of government spending to residential energy efficiency over the 5-year parliament, split between £3.8 billion for social housing and £2.5 billion for “home energy grants”. These will presumably run alongside [ECO3](#).

There is no information on the mechanisms by which these grants will be provided and what private finance is intended to be leveraged alongside, including any role for energy companies. The grants will aim to upgrade around 200,000 homes by replacing boilers and providing insulation but there is scant reference to the wholesale system change needed.

By comparison [CERT had delivery costs in today's money of approximately £1 billion per year](#). So, while the Conservatives' commitment should go a long way to recovering the drastic fall in activity observed since the end of CERT, it looks insufficient to put us on the path needed for their own climate targets.

¹ Department for Business, Energy and Industrial Strategy.

² Carbon Emissions Reduction Target.

Labour: vast ambition, disrupted market

Labour's own (now notably qualified) carbon target for 2030 has been well publicised and debated. On the energy efficiency front, it is backed by their "[Warm Homes for All](#)" scheme to improve demand across the UK's entire 27 million housing stock. At an average of £9,300 per house that means £250 billion. Labour say that low income households will get full grant funding – consistent with experience from previous schemes – while zero interest finance will be available for the able-to-pay sector.

[The manifesto](#) pledge is supported by the [Thirty by 2030 expert report](#) published by Labour in October. This provides some of the technical details on the assumptions underpinning the manifesto, drawing on the CCC's Net Zero report including 25% electrification of heat via full or hybrid heat pumps.

The structure of the financing mechanisms, however, remains undefined. Labour note that the cost is covered by savings on bills. [The Spectator take this to mean on-bill finance](#) as per the Green Deal. A key and very important difference in Labour's offer is the zero interest criteria. Ignoring the other obstacles, this would require subsidy to cover the lender's own borrowing and administration costs as well as defaults. Successful on-bill schemes in the US have often been supported with access to low cost public finance but the scale of Labour's plan is an order of magnitude greater than any examples to date.

Alternatively, the savings pledge could simply refer to the expected total net benefit across aggregate bills. This would suggest an Energy Efficiency Obligation as per CERT where subsidy costs are socialised across all bill payers. That would mean a central role for suppliers at a time the large players are facing nationalisation under Labour's plans.

A third option is the [KfW model](#) from Germany where Labour's envisaged National Investment Bank is used to provide zero interest credit lines (either directly or through commercial banks) to households. Again, however, the scale of the manifesto pledge is much greater than what KfW has undertaken to date.

Liberal Democrats: big commitments, unclear delivery

The Liberal Democrats, of course, provided the minister for BEIS' predecessor throughout the coalition years with the Conservatives. This saw an array of successful and not-so-successful changes made to our energy markets that are still being unfurled today.

In [their manifesto](#) they back their 2045 net zero target with a pledge for £15 billion a year to reduce energy consumption from buildings. This includes investment reaching £6 billion a year on home insulation and zero-carbon heating by the end of the 5-year parliamentary period. They also aim to [leverage an extra £4.3 billion from private sources](#) although no mention is made on what these will be.

Sticks as well as carrots are included with substantially tighter regulatory standards for new build and rental properties, as well as graduating Stamp Duty Land Tax by the energy rating of the property. The requirement for a zero-carbon standard by 2021 hints at exclusion of offsite generation equivalence routes, which would increase the cost and complexity of adherence.

What mix of grants and loans will be offered, and what mechanisms will be used for their disbursement, is left open. Reference to reforming the Renewable Heat Incentive suggests a market-based approach, but no details are provided.

Renewed focus but major remaining questions

Whatever the outcome of the election it seems we can expect to see an overdue renewed focus on energy efficiency. But the last few years are a woeful yardstick by which to gauge pledges. The real issue is whether the party plans are consistent with the level of activity needed to meet their own carbon targets.

With the likelihood of a Liberal Democrat victory small it is the proposals from the blue and red corners that merit closest attention. In the case of the Conservatives the lack of detail drives the fundamental question: **are you really serious about this?** For Labour the sheer scale and parallel upheaval to the wider energy market makes it a case of: **are you really capable of this?**