

BUSINESS LONDON

RETROFITTING LONDON'S OWNER- OCCUPIER HOMES

10 Point Action Plan



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BusinessLDN's 10 Point Action Plan

Housing represents more than a third of London's carbon emissions¹. Reducing these emissions requires retrofit at scale, making homes more energy efficient and switching to cleaner energy sources. While undertaking mass retrofitting of all of London's housing stock is complex, it could be worth £110bn to London's economy over the next 15 years and create 70,000 new jobs², offering significant opportunities for emissions reduction, economic growth and job creation.

To get there, London must move from piecemeal actions, which are unlikely to bring the necessary economies of scale to make retrofits attractive and affordable, to a holistic plan. Given the significant challenges posed by the increases in the cost-of-living for many homeowners, it is crucial that greener housing solutions yield long-term energy bills savings, as well as wider health and environmental benefits.

Retrofit is and should be treated as the biggest infrastructure programme of our generation. We need an ambitious target and supportive policy, matched with political ambition, to make this achievable.

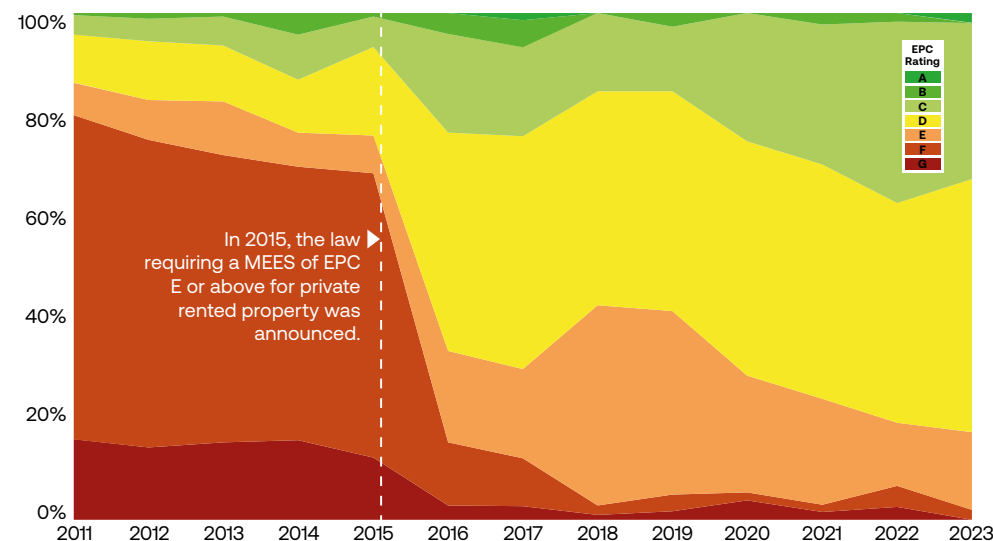
London Councils and the Mayor of London aim for all homes to have an Energy Performance Certificate (EPC) rating B by 2030.³ We must continue to push for this ambitious target to be reached.

However, given the current financial, technical, regulatory and capacity challenges associated with retrofitting, amongst others, a clear pathway is required to deliver this target. Such a pathway must include a phased approach which will support the transition from only incentivising energy efficiency upgrades and selectively requiring the improvement of EPC ratings for some housing tenures, to eventually requiring all housing tenures to improve their energy efficiency, including owner-occupied to which the target does not currently apply⁴.

“Why MEES? Because it works”

The Minimum Energy Efficiency Standard (MEES) applies to private rented residential and commercial property, requiring minimum energy standards to be met for properties to be leased.

The MEES of EPC E was announced for the Private Rented Sector (PRS) stock in 2015 (implemented in 2018). Landlords were pushed to upgrade homes rated EPC F and G. Rentals with these energy ratings fell by 95%⁵ (Graph below). Furthermore, housing availability wasn't sacrificed, with rental stock growing by 137% over the same period⁶.



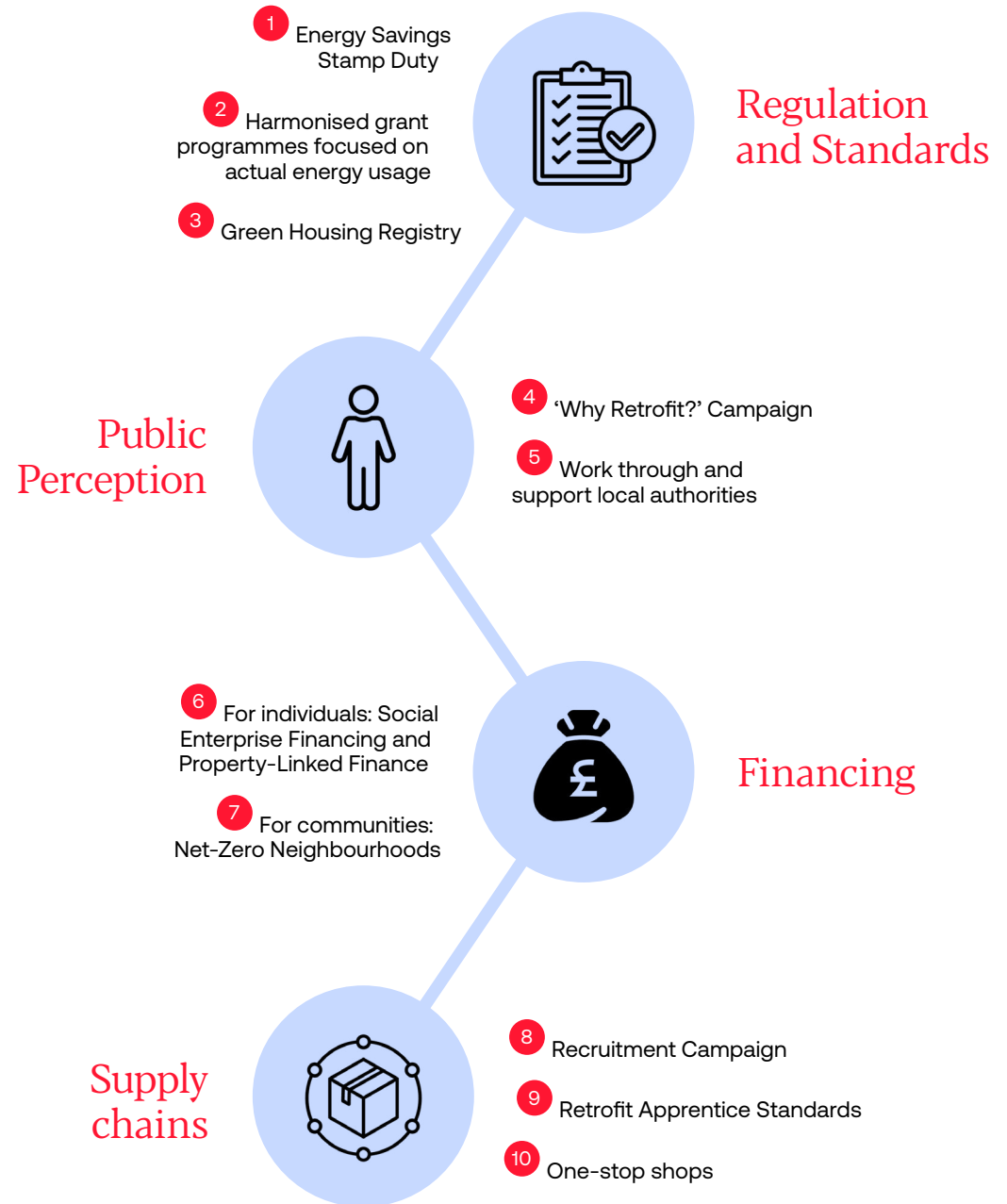
Source: Ministry of Housing, Communities & Local Government, Energy Performance Certificate (EPC) Data.

10 POINT LONDON RETROFIT ACTION PLAN

BusinessLDN, in partnership with retrofit experts Hestia, has developed a 10-point action plan to support the acceleration of retrofitting owner-occupier homes in London which, in turn, will help spur on progress to meeting the target set by London Councils and the Greater London Authority (GLA) for all homes in the capital to be EPC B by 2030.

The action plan's 10 points are sub-divided into actions under the four primary barriers to retrofit for homeowners – public perception, regulation and standards, funding and financing, and supply chain gaps. The plan adopts a carrot and stick approach, setting out policy measures and interventions that should be made alongside incentives to help London achieve its ambitious retrofitting targets, fostering a greener future while realising substantial economic benefits.

The plan is an overarching approach which aims to provide the incentives and regulatory certainty needed by homeowners and institutional investors. However, it will need to be reviewed periodically to ensure the right level of progress is being made and that all points are still relevant.



Regulation and Standards

Current regulation is confusing and often contradictory. Regulation that disincentivises retrofit, such as current stamp duty rules, must be reformed, eligibility requirements for grants harmonised and clear rules for data collection set.



Energy Savings Stamp Duty

We support the Energy Efficiency Infrastructure Group proposal for a **Stamp Duty Land Tax (SDLT) adjustment based on an EPC rating**. Under this proposal, energy efficiency improvements made to a home within two years of purchase would trigger a SDLT rebate – spurring retrofit demand when building works are easiest and often undertaken.



Harmonised grant programmes focused on actual energy usage

There are currently multiple energy efficiency programmes that lack overall coherence⁷. Existing grants need to be simplified into a single, streamlined programme, while reducing their administrative burden. Although this 10-point plan calls for a target that matches the existing regulatory framework to speed up retrofitting, in the long term, all grants should be based on **actual monitored energy consumption** or carbon emissions reductions rather than EPC band jumps.



Green Housing Registry

Lack of information is a critical barrier to retrofit – homeowners cannot easily understand the energy performance of their home and what measures could improve it. To address this a 'building passport' for homeowners should be developed, one which includes data on building fabric, condition, energy efficiency and improvement works in one accessible place. This should be collated into a **London housing registry** for individual home energy performance to ensure accuracy across the capital. Data collection and sharing being in line with General Data Protection Regulation's (GDPR's) principles.

Public Perception

Seven in ten homeowners find retrofitting overwhelming⁹ and only 30% of Londoners say they know at least something about retrofit⁹. The complexity of the process means homeowners are reluctant to act despite retrofitting making homes warmer and cheaper to run. Better articulation is required of what retrofitting is and what its benefits are, which will help to increase trust in the process.



'Why Retrofit?' Campaign

The GLA and Energy Savings Trust should run a London-based **retrofit awareness campaign** to spur demand. This should focus on the health, wealth, and comfort benefits of retrofit, showcasing best practice to appeal to a mass market that may not be motivated by climate change alone.



Work through and support local authorities

The public tends to have more interaction with local authorities (than other forms of government), who are often well-placed to engage with and understand the needs of their local community. While boroughs may be well placed to act, they lack the capacity to do so at scale. We need **devolution of power to local authorities alongside more dedicated funding and training**. That way councils could potentially undertake several functions including: enforcing standards; reducing the administrative burden of the retrofit process for applicants; administering funding programmes and overseeing their efficacy through data collection and analysis; and providing training and education to local communities about retrofitting.

Financing

Some progress has been made towards expanding financing for retrofit. Several green mortgage products now exist on the market and the GLA's Green Finance Fund promotes decarbonisation projects. However, homeowners are still faced with high costs when upgrading the energy efficiency of their homes. There is no 'one size fits all' financing solution and additional schemes are needed to address all market segments.



For individuals: Social Enterprise Financing and Property-Linked Finance

Early movers with retrofitting need affordable loans. One option is **social enterprise lending**, with several players now offering at-scale financing for retrofit works¹⁰. London boroughs should come together to partner with social enterprise lenders to deliver low-cost financing for homeowners.

In addition, regulatory requirements should be adjusted to promote **property-linked finance** – where the cost of a retrofit is paid upfront, through a loan linked to the property rather than the owner.



For communities: Net-Zero Neighbourhoods

Financing for individual homeowners will only go so far. We need bigger, scaled solutions to support whole communities. Advocated by the 3Ci (Cities Commission for Climate Investment), **Net Zero Neighbourhoods** are a place-based approach that integrates local net zero projects into attractive investment propositions by pooling assets, creating scale, and long-term certainty. This allows institutional investors to efficiently direct capital to retrofit.

Supply Chains

The skills gap is acutely felt in the retrofit home-services industry. The Construction Leadership Council estimates that around 500,000 additional construction jobs are needed across the UK to deliver retrofit, 70,000 of which in London alone. We need to build our supply chain both in terms of workforce and products/materials to overcome the skills and technological barriers.



Recruitment Campaign

London-based construction and retrofit services firms should fund a **recruitment campaign**, emphasising the sector's competitive pay as well as the benefits of working towards a net-zero future. The scale of the challenge makes it especially important to engage with communities that traditionally do not go into construction, for example women and people from ethnic minority backgrounds. Vacancies will not be filled without attracting new, more diverse people to the industry.



Retrofit Apprentice Standards

The Department for Education and Institute for Apprenticeships and Technical Education need to **accelerate the development of apprenticeship standards for retrofits**. Today's apprenticeships often rely on 'bolt-on' modules that are not fit for purpose, can be outdated and take long to become certified. For instance, there is only one standard for the construction sector that directly links to green skills, a plumbing and gas pathway¹¹. Apprenticeship standards are deemed a core component of the solution to building the workforce needed for retrofit. Standards will need to cover new legislation, sustainability thinking and technical software.



One-stop shops

Establish retrofit "**one-stop shops**" – approved providers with PAS2035 accreditation¹² and high standards, to raise consumer trust and ensure quality. This system would offer a single point of access for advice, financing, and installation, making it easier for property owners to adopt green technologies.

REFERENCES

- 1 LEGGI (2020), London Net Zero 2030: An Updated Pathway
- 2 CLC (2020), Greening our Existing Homes, <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2020/12/CLC-National-Retrofit-Strategy-final-for-consultation.pdf> (Assumes 3,700,000 dwellings in London costing £30,000 per dwelling 2. CLC Retrofit Jobs estimate of 500,000 jobs scaled to London considering 14% of dwellings in the UK are in London. The calculation accounts for all homes.)
- 3 <https://beta.londoncouncils.gov.uk/news/2022/boroughs-commit-joint-action-climate>
- 4 Department for Energy Security and Net Zero and Department for Business, Energy & Industrial Strategy, published 1 October 2017, <https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance>
- 5 Independent analysis. Ministry of Housing, Communities & Local Government, Energy Performance Certificate (EPC) Data, Open Data Communities, 29/08/23. <https://epc.opendatacommunities.org/>
- 6 English Housing Survey 2021 to 2022: private rented sector, Annex table 1.1, Department for Levelling Up -Housing & Communities, over the period from 2008-9 to 21-22. <https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-private-rented-sector>
- 7 Programmes such as Energy Company Obligations Grants (ECO4), Social Housing Decarbonisation Fund (SHDF), Home Upgrade Grant (HUG), Great British Insulation Scheme (GBIS), Local Authority ECO Flex and others.
- 8 <https://www.santander.co.uk/about-santander/media-centre/press-releases/seven-in-ten-homeowners-find-retrofitting-too>
- 9 GLA Londoners' awareness and understanding of retrofit Survey, April 2022, City Intelligence
- 10 Example schemes include Lendology, which currently partners with London councils and manages over £10 million on the councils' behalf or Tallarna, which helps insure the expected energy savings from retrofits, further protecting residents from unexpected bill hikes.
- 11 City of London (2023), Skyline Skills Recommendations Report 2023, <https://www.cityoflondon.gov.uk/supporting-businesses/business-support-and-advice/skills-for-a-sustainable-skyline-taskforce/skyline-skills-recommendations-report>
- 12 PAS 2035 is a standard that sets out the specifications which compliant retrofitting must meet. This has been mandatory for the past two years for all companies installing energy efficiency measures, including domestic retrofit.

OUR MISSION

AT BUSINESSLDN, OUR MISSION IS TO MAKE LONDON THE BEST CITY IN THE WORLD IN WHICH TO DO BUSINESS, WORKING WITH AND FOR THE WHOLE UK.

We work to deliver the bigger picture, campaigning to tackle today's challenges and to secure the future promise of London.

We harness the power of our members, from sectors that span the economy, to shape the future of the capital so Londoners thrive and businesses prosper. We support business to succeed — locally, nationally, globally. We link up with other cities around the UK, to ensure the capital supports a thriving country.

We campaigned for the creation of the office of London Mayor and Transport for London, for the Elizabeth Line, for congestion charging, we incubated Teach First and run the UK's largest annual jobs and careers fair, Skills London.

We create opportunities for our members, from sharing insights to providing platforms, from making introductions to finding new talent. We facilitate collective, organisational, and individual ambition.

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