

Environmental *Change* Institute



Whose money should pay for energy efficiency in housing?

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Fuel poverty today

- prices £700 higher than in October 2020
- but £200 less than last winter
- pensioners got £900 more income April 2024
- Winter Fuel Allowance cut for 90% of pensioners
- should have been ~ 50%
- too much focus on pensioners now
- limited income support: £4m on WHD @ £150
- not enough emphasis on energy efficiency; grants underspent
- Govt aspiration: all residential C by 2030 = 14m properties in 6yrs

What needs to happen

- energy prices reduced
 - squeeze the profits of the energy companies + windfall tax
 - Social and environmental costs transferred to The Treasury
- National strategy on efficient housing, all tenures
- Fund energy efficiency improvements via local authorities
 - Area-based approach
- Use tax progressively: take from the rich to give to the poor, not vv
- All to C = 14m homes x £10,000 = £140bn in 6 years = £23bn pa
- Government cannot fund: has ~ no money

What if, there were no more grants?

- Every home owned by someone – 28 million
- Average value at least £250,000
- Property owners are ‘rich’ – don’t need grants
- Release the equity

- We spend £20bn pa on repairs, maintenance and improvements to our homes
 - ~ 3% of the value of the house
 - Many people could afford energy efficiency upgrades

Main policies

- Strong, clear regulatory framework, whole housing stock:
 - all to A by 2050
 - zero carbon electricity from 2030
 - cheaper electricity from renewables, so ASHP bring bill savings
- Low-interest / zero interest loans
 - Interest rate of 4% reduced by government subsidy to 0%
 - Includes equity release / lifetime mortgages for elderly outright owners
 - Low-interest mortgages for energy efficiency upgrades
- Only / main cost to government is discount on interest rates
 - One-off grant of £10,000 = 4% discount = £400 pa

Assumptions / issues

- What level of discounted interest and for whom?
- Like KfW – interest rate reduced more if bigger upgrade undertaken
 - 3% if get to next band on the EPC
 - 2% if jump two bands
- Assume private landlords raise half the money, so discount on half
- How to repay the loan – over how many years?
 - Who can repay through fuel savings?
 - Fuel poor cannot, so no rent/cost rises for poorer tenants
 - How to achieve / enforce?
- Relationship between fuel savings and upgrade: no savings with ASHP
- No charge on the property if < £20,000 = simple paperwork?

Conclusion on numbers

- One-off grant of £10,000 @ 4% discount = £400 per property
 - 14m homes not yet C, in UK
- Loans: most can repay, as fuel bills lower on improved house
- Discount needed for fuel poor
 - poor ooo, get discounted lifetime mortgage 1.0m households
 - PRS, 50% landlord's costs, 50% properties 2.6m @ £200 pa
 - Social housing, D or worse 1.6m
- Total 3.9m

$3.9\text{m} \times £400 = £1.56\text{bn} / 6 \text{ years} = £260\text{m pa}$

TOTAL COST TO GOVERNMENT OF GETTING ALL TO C BY 2030

Result

- Whole housing stock upgraded to C by 2030, en route for A
- Fair use of taxation: support the poorest, not the richest
- Cost to economically-constrained government is minimised
- Costs offset by increased employment, less benefits, more tax
- Good community spirit – all able to abate climate change

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Thank you

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<https://theconversation.com/who-is-in-fuel-poverty-the-government-has-no-idea-as-it-moves-to-cut-winter-fuel-payments-238918>

