

What next for accelerating the decarbonisation and resilience of the UK's building stock? The convergence of financial and real economy policy



The UK is at a critical juncture in addressing the energy efficiency of its homes, a move essential for managing ongoing cost of living pressures and meeting the UK's carbon reduction targets.

The UK's 29 million homes represent the least energy efficient housing stock in Europe, making up 16% of total UK emissions.¹ Adapting our built environment to be more affordable, energy efficient, and resilient is a clear priority for the new Labour government, which seeks to upgrade five million homes to cut bills for families as part of the Clean Energy Mission.²

The UK Committee on Climate Change has estimated that £250 billion needs to be invested to deliver a net-zero housing stock by 2050.³ Alongside traditional retrofit for energy efficiency, there is also the increasing need to adapt to the changing climate, ensuring that our homes are resilient to heatwaves and flooding. As such, retrofitting existing homes to ensure affordability and resilience represents a significant opportunity to lower energy bills, slash fuel poverty, reduce greenhouse gas emissions, improve the quality of the UK's housing stock, and create jobs.

The Labour Party's manifesto commits the Government to "work with the private sector, including banks and building societies, to provide further private finance to accelerate home upgrades and low carbon heating". It also promises to "ensure homes in the private rented sector meet minimum energy efficiency standards by 2030, saving renters hundreds of pounds per year."

To achieve these outcomes under the Clean Energy Mission, the UK has a distinct opportunity to draw on past successes in tackling urgent, multi-faceted challenges and establish an empowered public-private National Taskforce, underneath the Clean Energy Mission control, to decarbonise UK homes. This briefing note sets out a view on how to achieve that, building from a closed-door discussion held during London Climate Action Week (LCAW) with leading finance practitioners and experts.



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A recap on the problem

Despite the clear benefits, the market for energy efficiency improvements and climate-proofing homes has yet to achieve the scale and momentum needed to reach decarbonisation goals. The UK needs to increase its current rate of renovation seven-fold to meet 2030 decarbonisation targets.⁴

This is, in part, because the home decarbonisation challenge has been framed as a consumer problem under the assumption that if the offer on the table is attractive, people will be enticed to make energy efficiency improvements to their homes. A home that is resilient to natural disasters, keeps us warm in the winter and cool in the summer, and is affordable to power and heat, is a compelling offer. However, given the well-documented barriers that consumers face when improving the energy efficiency of their properties, we have yet to see the bottom-up consumer led growth of this market to reach our national ambitions.

The lack of action is the symptom⁵ of building decarbonisation being a ‘wicked problem’ - one that is difficult or impossible to solve

because of incomplete, contradictory, and changing requirements that are often difficult to recognise.⁶ If a household’s economic resources are limited, the up-front cost of retrofitting their home could feel unattainable despite the wide range of financial products coming to market, such as green mortgages, unsecured green home loans, and property linked finance. As a result of the electricity-to-gas price ratio, there is also no guarantee that the running costs of low carbon heating systems will be more economical than running a gas boiler. Furthermore, the process is convoluted, there is no central resource to guide households through the process, and there remains a long-standing mistrust of contractors and tradespeople in the sector.

In reality, delivering resilient and energy efficient homes is not a consumer problem – it cannot be solved by individual actors in a free markets fashion. Instead, the transition to resilient, energy-efficient, affordable homes should be viewed as a citizens’ challenge – requiring a whole-of-society approach and top-down leadership to drive the change.

Solution: National Taskforce

This problem cannot be solved in isolation. To ensure that citizens across the UK are able to live in climate-resilient, safe, and energy efficient homes:

- Financial solutions and individually priced products need to be available to a range of different homeowners, with and without mortgages, social housing tenants, rentals, and beyond.
- Robust, localised supply chains need to be in place to deliver retrofit solutions effectively.
- Colleges and training facilities need to train the existing workforce as well as the workforce of the future to install and service existing and evolving technologies.

In the face of complex and urgent challenges, we have seen the success of co-ordinated national missions – from the Vaccine Taskforce during the Covid-19 pandemic, to the Olympic Delivery Body in 2012. And more recently, this approach and mandate has been replicated with the announcement of the Mission Control for Clean Power 2030, where Chris Stark will lead a one-stop shop of industry experts and officials to accelerate the transition away from fossil fuels to clean, ‘homegrown’ power.

To address the £250 billion investment gap and deliver comfortable, affordable, resilient homes by 2050, we need a new, national approach to decarbonise the UK’s buildings. A National Taskforce to improve the energy efficiency of UK homes, with clear and measurable goals, can overcome the inertia of recent years and accelerate progress.



Drawing on previous successes, delivering this outcome would be owned centrally by government through a multi-disciplinary taskforce that coordinates across the whole of the public sector (including government departments and local authorities) and the private sector (from financial institutions to supply chain actors). The taskforce would be the first step to overcoming a fragmented landscape, as it would signal the importance of accelerating the pace of building decarbonisation and centralise accountability for delivery.

We need a new, national approach to decarbonise the UK's buildings.

The taskforce would focus on addressing the multiple complex challenges spanning policies, tactics and outcomes facing the decarbonisation of UK buildings including, but not limited to:

A stable financial, policy and regulatory framework will instil confidence and encourage long-term investments in retrofitting.

1. Secure long-term regulation, funding and incentives

A stable financial, policy and regulatory framework will instil confidence and encourage long-term investments in retrofitting. A taskforce of this nature can only be successful if accompanied by clear commitment on policy. The taskforce should oversee the provision of sustained financial incentives, alongside catalysing private sector financial innovation and investment.

2. Develop and enforce robust standards and certifications

Implement stringent standards for retrofitting practices and materials to ensure high-quality outcomes. Establish certification programs for contractors and professionals to maintain industry credibility and consumer trust. Ensuring high standards will maximise the environmental and financial benefits of retrofitting.

3. Streamline planning and regulatory processes

Simplify the planning and regulatory requirements for retrofitting projects. Create a one-stop-shop model for approvals and permits, reducing bureaucratic delays and making it easier for homeowners to start retrofitting projects.



4. Launch a National Retrofit Awareness Campaign

Establish a nation-wide programme to educate the public about the benefits of retrofitting, including cost savings, increased property values, and improved living conditions, which must be locally delivered by organisations that are trusted by the public - highlighting success stories and leveraging media channels to reach a broad audience. A survey by the Department for Business, Energy & Industrial Strategy (BEIS) found that 65% of homeowners would consider making energy efficiency improvements if they understood the financial benefits better.³ Lloyds Banking Group's *Housing Stocktake* found that homeowners are overwhelmingly positive about their experiences of retrofitting, with 96% of survey respondents reporting they were pleased with the results, and 81% insisting that they would recommend doing so to a friend, family member or colleague.⁷

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5. Support training and workforce development

Invest in training programs to upskill the workforce, ensuring there are enough qualified professionals to meet the increased demand for retrofitting. Collaborate with educational institutions to develop relevant courses and certifications.

6. Create green job opportunities

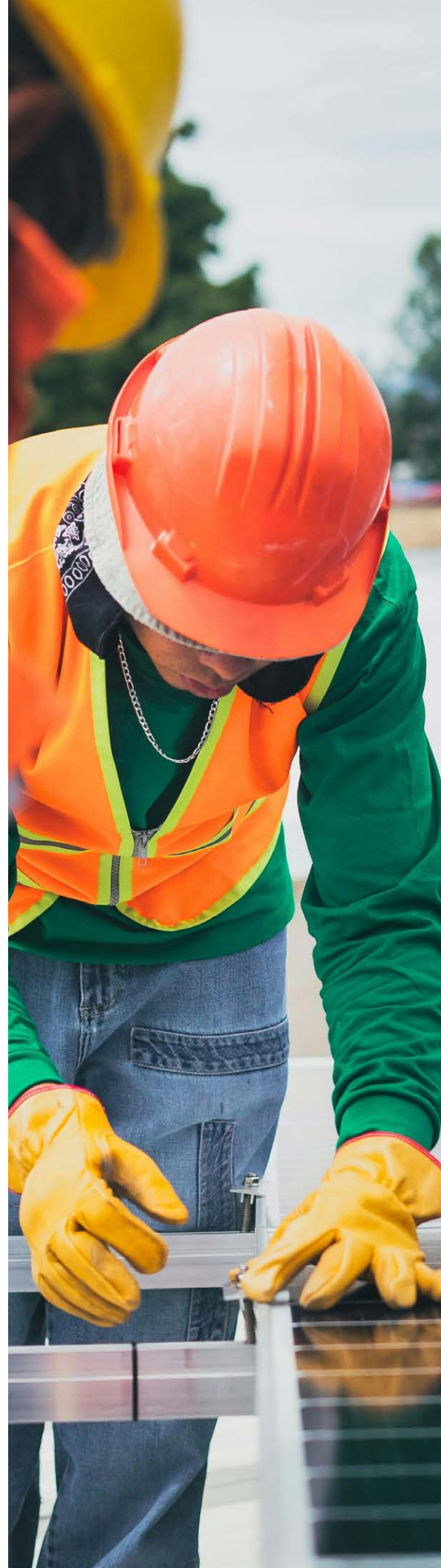
Leverage the retrofitting initiative to create green jobs, particularly in regions facing economic challenges. The Better Homes Alliance campaign⁸ identified a relationship between the areas with the least energy efficient housing stock and the most deprived local authority areas in the country by the Government's own definition, and would therefore stand to benefit most from a co-ordinated retrofit programme. Training and employment opportunities could be provided to support a just transition to a low-carbon economy, benefiting communities across the UK.

7. Encourage private sector innovation and investment

Foster partnerships with private companies to drive innovation in retrofitting technologies and materials. Provide incentives for research and development, and support startups that offer innovative solutions in the retrofit space.

This can be driven through a range of measures: providing a long-term pathway for home energy improvements, introducing an energy-adjusted stamp duty, improving the quality of EPCs, rebalancing the policy costs levied on electricity consumption, using employer tax incentives, setting ambitious but attainable deadlines for reaching improved Minimum Energy Efficiency Standards, and rebalancing the costs levied on electricity consumption..

The combination of this policy certainty and an Olympic-style delivery body could accelerate the pace of change and provide clarity and confidence for homeowners, landlords, industry and finance. For example, there is already a heat pump mandate in place – but it only applies to boiler manufacturers. If the taskforce were to collaborate with industry, this mandate could be expanded to all actors across the value chain in a positive and effective manner. The taskforce would facilitate a coordinated effort to not only have the manufacturer create more heat pumps, but to facilitate installation, enable grid connections, and lead a consumer campaign backed by brands trusted by consumers.





Providing local solutions to a national problem

While a top-down mission, driven by policy certainty, is essential to transform our built environment, it must also be combined with local delivery due to the distinctly local nature of the demand and supply. We have seen successful attempts at this across the country. For example, the Greater Manchester Combined Authority's (GMCA) *Your Home Better* is an independent service delivered by retrofit experts, providing advice, planning and delivery to help reduce the costs of bills as well as carbon emissions associated with home energy and heating. A public-private collaboration, the service works with homeowners to provide information and support consumers with their journeys, giving them credible choices and information across the whole process. The GMCA programme is effective through its central coordination of

public and private sectors, and has credible government backing while simultaneously facilitating localised delivery.

Underpinning the entire mission is the need for adequate financial provision to cover all consumer segments and all housing tenure types, from able-to-pay homeowners – who can access green mortgages or property linked finance – to social housing where blended finance can be deployed to mobilise institutional investment. Insurance will also have a crucial role to play in supporting the climate resilience of homes and driving standards in energy efficiency. The rollout needs to be sequenced with the easiest to retrofit segments delivered first, to build the necessary jobs and supply-chains and increase consumer confidence.



Conclusion

Without centralised leadership and a coordinated approach across market players, the challenge of retrofitting Europe's leakiest housing stock may be insurmountable. A new government, which prioritises the building of and transition to homes that are more affordable to run, has the mandate to deliver a national energy efficiency programme within the Clean Energy Mission.

Through effective use of public-private partnerships, top-down leadership and localised delivery, the challenge of making sure our homes have lower energy bills, are energy efficient and resilient should become a achievable goal which, when delivered, will improve the lives of citizens across the country.

We now need a 'go to market' strategy, driven by an Olympic-style delivery taskforce, that will drive decarbonisation of our building stock through engagement across the ecosystem. This means taking a centralised approach but delivering locally, driving education and consumer confidence, identifying skills-gaps and effectively using policy levers. We invite potential partners for delivery to get in touch to discuss how we can work together to deliver this vision.

Endnotes

- 1 <https://assets.publishing.service.gov.uk/media/63e131afe90e07626c86856c/emissions-statistics-summary-2021.pdf>
- 2 [Make-Britain-a-Clean-Energy-Superpower \(labour.org.uk\)](#)
- 3 [Decarbonising heat in homes \(parliament.uk\)](#)
- 4 <https://www.rics.org/content/dam/ricsglobal/documents/to-be-sorted/retrofitting-to-decarbonise-the-uk-existing-housing-stock-v2.pdf>
- 5 Financing energy efficient buildings: The path to retrofit at scale [REPORT \(greenfinanceinstitute.com\)](#)
- 6 <https://web.archive.org/web/20180518064046/http://www.apsc.gov.au/publications-and-media/archive/publications-archive/tackling-wicked-problems>
- 7 Decarbonising the UK's homes: A housing stocktake, 2023 ([lloydsbankinggroup.com](#)) <https://www.lloydsbankinggroup.com/assets/pdfs/who-we-are/financing-a-green-future/decarbonising-the-uks-homes-a-housing-stocktake-2023.pdf>
- 8 https://87eecd37-3820-494b-94ad-3d87df468362.usrfiles.com/ugd/87eecd_8a4528e506c3449b8b5bff222a1e9dd9.pdf