

**Welsh Parliament's Climate Change, Environment, and Infrastructure Committee Inquiry**

**Decarbonisation of housing: decarbonising the private housing sector**

**Written evidence from Propertymark**

**August 2022**

**Background**

1. Propertymark is the UK's leading professional body of property agents, with over 18,000 members representing over 12,800 branches. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and are able to advocate for legislative change on behalf of the sector.

**Questions**

**The current approach to decarbonising housing in the private rented and owner-occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit;**

2. Propertymark supports the Welsh Government's aims of achieving net zero by 2050 and all new homes in Wales to be heated and powered from clean energy sources from 2025<sup>1</sup>. However, support for private rented and owner-occupied sectors in Wales have not been effective. This is due to three factors. Firstly, despite owner-occupiers and private landlords owning more than 80% of all Welsh homes<sup>2</sup>, the current retrofit approach in Wales has focused on social housing only through the Optimised Retrofit Programme.<sup>3</sup> Secondly, support for the private rented sector has only focussed on low-income families through the Nest funding.<sup>4</sup> Thirdly, unlike the UK Government's Green Homes Grant scheme, the Welsh Government have not provided any grant support to landlords to meet energy efficiency targets set out in law, and homeowners to make improvements. The Green Homes Grant scheme is only applicable to landlords in England, and there is no equivalent scheme in Wales.<sup>5</sup> For the private rented sector in England and Wales under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015<sup>6</sup> and subsequent amended legislation, it is only four years since rules came into force to ensure all private rented tenancies meet Energy Performance Certificate (EPC) Band E, but the UK Government is now proposing going to Band C by 2025.<sup>7</sup> This further increases the urgency to

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<sup>1</sup> <https://gov.wales/all-new-homes-wales-be-heated-and-powered-clean-energy-sources-2025>

<sup>2</sup> <https://gov.wales/independent-review-decarbonising-welsh-homes-report>

<sup>3</sup> <https://gov.wales/optimised-retrofit-programme>

<sup>4</sup> <https://nest.gov.wales/>

<sup>5</sup> <https://www.gov.uk/guidance/apply-for-the-green-homes-grant-scheme>

<sup>6</sup> <https://www.legislation.gov.uk/uksi/2015/962/contents/made>

<sup>7</sup> <https://www.gov.uk/government/publications/heat-and-buildings-strategy>

which support for retrofit needs to be enacted. The housing stock in Wales is the oldest in the UK with many properties dating from pre-1919, and of single wall construction. Both the Welsh Government and the UK Government must understand that private landlords and homeowners have little access to funding outside of their own income to make high-cost energy efficiency improvements to their properties. Consequently, ambition and setting targets for improving energy efficiency are meaningless if opportunities and support are not offered to achieve them.

### **The role of sector specific retrofit targets to help drive change**

3. The introduction of sector specific retrofit targets must account for the diversity in housing stock across Wales including in urban and rural areas. Well-insulated property is very energy efficient and will need very little additional heating and cooling, but housing stock differs from region to region. The Climate Assembly UK report notes that, “different properties may need different solutions – e.g. old versus new houses’ and that energy efficiency ‘needs to be individualised – solutions need to suit different households”.<sup>8</sup> To this end, the Welsh Government need to approach requirements for decarbonising housing based on the properties’ age, location and construction. This way the Welsh Government can target grants and funding support based on the archetype of a property rather than its tenure.

### **Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term;**

#### Short term

4. In the short term, the Welsh Government must do two things. Firstly, create a long-term policy framework and route map to 2050 for retrofitting property for the private rented and owner-occupied sectors. The route map must provide confidence and trigger private investment from property owners and financial institutions. Secondly, the Welsh Government must build up the supply chain in terms of materials and equipment as well as upskill the existing workforce to ensure the targets set out in the long-term policy framework can be delivered. In November 2020, it was acknowledged by the Welsh Government that 15,000 new jobs could be created to deliver a green low carbon economy in Wales.<sup>9</sup>

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<sup>8</sup> <https://www.climateassembly.uk/report/read/final-report.pdf>

<sup>9</sup> <https://gov.wales/written-statement-optimised-retrofit-programme-2020-21>

Medium term

5. In the medium term, the Welsh Government must embark on a national communications campaign for tenants, landlords and owner-occupiers. A central part of enabling a retrofit revolution on the path to net zero will be adequately conveying the wider benefits to homeowners and landlords. Aside from helping tackle the climate crisis, benefits of improving the energy efficiency of the nation's housing stock include the cost savings on household bills. The views of landlords and owner occupiers will play a significant role in the success of retrofitting – a challenge in this area includes the readiness of homeowners and landlords to go through the process in the first place. Whatever the benefits of retrofit are in the long term, many people would be concerned with the more immediate and medium-term impacts on their lives. Results from Climate Assembly UK's findings into public perceptions of retrofitting homes showed that, in addition to the costs involved, major concern lay with the scale of disruption they would experience throughout the process.<sup>10</sup>

Long term

6. In the long term, the Welsh Government must do three things. Firstly, create customer demand for retrofitting by introducing a mechanism for landlords and owner occupiers to understand building renovation plans for their properties. This should include linking incentives to retrofit with other works or points of major renovation at a property. Secondly, introduce sustained finance through grants and delivery programmes. Thirdly, create and enforce an industry culture that ensures all jobs are done to high standards.

**The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them;**

7. We believe there are four challenges of delivering a programme of retrofit within these sectors. Firstly, in areas with low-viability properties the greatest challenge is with incentivising landlords and homeowners to take up the task of retrofitting their properties. Retrofitting, and the prices involved in doing so, remain the same regardless of geography. However, what does not is the value of property. Putting this into perspective, the same energy efficiencies demanded by the transition to a net zero economy, including wall insulations and heat pump fittings, will need to be undertaken to an equal extent in a terrace

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<sup>10</sup> <https://committees.parliament.uk/publications/5171/documents/52521/default/>

house located in Ebbw Vale with an average house price of £115,972 as one in Cowbridge with an average price of £461,417. Given the costs of retrofitting are in the tens of thousands, if the challenge of how to effectively to support retrofit properties in low value areas is not met, a divide risks being created. Secondly, there is the challenge of boosting local economic growth and place prosperity through providing opportunities for high-skilled green jobs as well as boosting local SME involvement in retrofit. Thirdly, there appears to be low awareness of current and past retrofit targets, as well as a lack of clear and concise information on how to meet these targets and the support available in doing so. Fourthly, there is a split incentive in that because landlords do not pay energy bills themselves, they do not benefit directly from the energy savings that would justify undertaking the task of retrofitting. Adding to this are the high upfront costs, which significantly impacts those landlords owning properties with lower value.

#### Action required

8. There are three actions the Welsh Government and its partners can take to help overcome these challenges. Firstly, provide clearer incentives and long-term clarity on timelines to ensure retrofitting can be achieved in the private rental sector and for homeowners. For example, Rent Smart Wales<sup>11</sup> have a knowledge of the makeup of the private rented sector in Wales. They are ideally positioned to build on the best practice from Welsh Government's Optimised Retrofit Programme and produce a map of the skills and work required to retrofit the private rented housing stock in Wales. Secondly, provide details of a localised funding mechanism for retrofit to help authorities in areas with low-viability housing achieve targets. For instance, the Development Bank of Wales<sup>12</sup> could provide loans, learning the lessons from the Green Deal that interest rates are not set too high and that the savings from the works should contribute towards the loan repayment. Thirdly, the strategy the Welsh Government takes to retrofit the private rented and owner-occupied sectors must be coordinated with planning decisions and form part of a joined-up approach to the nation's housing stock.

#### **How the right balance can be struck between influencing/incentivising homeowners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress;**

9. We believe that the right balance can be struck by taking a localised approach to tackling the retrofit challenge. This way the Welsh Government can develop a place specific understanding

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<sup>11</sup> <https://rentsmart.gov.wales/en/home/>

<sup>12</sup> <https://developmentbank.wales/>

of the requirements for retrofit and identify opportunities to support homeowners and private sector landlords as well as upskill and retrain the local labour market to enter this market and emerging low carbon markets that will be a cornerstone of the net zero economy.

**How effective the Welsh Government is influencing decisions on reserved matters to support decarbonisation of these sectors.**

10. It is difficult for the Welsh Government to influence decisions and policy led by the UK Government such as the energy efficiency regulations. However, we urge the UK Government and the Welsh Government to continue to communicate and work together to provide solutions that account for localised needs.