

# EUA response to Improving home energy performance through lenders

## About us

The Energy and Utilities Alliance (EUA) provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has seven organisational divisions - Utility Networks (UN), the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convectors (MARC), the Gas Vehicle Network (GV Network) and the Manufacturers of Equipment for Heat Networks Association (MEHNA)

EUA represents all the main heating manufacturers in the UK along with the majority of major installation companies, training providers and component manufacturers. Approximately 98% of heating measures installed in UK homes comes from an EUA member.

The Energy and Utilities Alliance (EUA) is a company limited by guarantee and registered in England. Company number: 10461234, VAT number: 254 3805 07, registered address: Camden House, 201 Warwick Road, Kenilworth, Warwickshire, CV8 1TH.

## Response

### Chapter 1: Disclosure of portfolio energy performance data

**Question 1. Do you agree with the principle of all lenders publicly disclosing information on the energy performance of their portfolios?**

EUA agrees

**Question 2. Do you agree with the proposed EPC information lenders will be required to collect? If you disagree, please explain why.**

EUA agrees

## Chapter 2: Improving the energy performance of lenders' portfolios: target-based approach

**Question 12. Do you agree the voluntary target should be set at a portfolio average of EPC Band C by 2030? If not, please outline the reasons why.**

EUA believe that it would be more prudent to set this at Band D by 2030 and Band C by 2035. This would be in line with the UK Government's plan for all homes to be Band C by 2035.

Making the most cost-effective changes recommended in an EPC will take most homes to a Band D which means most homes will be able to reach this target.

Upgrading to a band D would entail having all reasonable insulation measures installed and an upgraded heating system. This would also result in significant energy bill savings compared to a property at band E.

Upgrading to band C would probably require more intrusive and difficult to install measures like solid wall insulation. Rural properties would also struggle to meet band C because of the cost of fuel metric.

EPC band C for rural, off-grid homes will cause:

- **Landlords will be mobilised towards higher carbon fuels** as they attempt to improve ratings by using the cheapest fuel available rather than improving building fabric. This 'fabric last' approach not only fails to deliver building standard improvements for residents, it also directly counters Government's wider decarbonisation objectives.
- **Landlords and homeowners will have to spend more money on off-grid homes, compared to an identical home on the gas grid.** This is unfairly and unjustly penalising rural areas, homeowners and house builders for no other reason than the fact they don't use natural gas. In rural areas this adds additional financial pressure onto fuel poor and vulnerable households.
- **Identical properties in terms of fabric situated on and off the gas grid will receive different EPC ratings.** Due to the way that EPCs are currently calculated, off-gas grid homeowners are disadvantaged against their grid-connected counterparts in their EPC rating. This means that off-gas grid homeowners will have to spend more money on building improvements to reach the same energy performance standard as those on the grid.

- **Mortgages will be refused** simply because a property does not have access to mains gas. This will result in a reduction in the supply of properties in rural areas and have a significant impact on local communities. This could cause many homes to become worthless.
- **Flawed and unfair off-grid EPCs will devalue off-grid properties** as potential homeowners and landlords choose not to invest in rural locations due to the unfair policy penalties.

If BEIS wish to set a target of Band C then they to address the concern for rural and off grid properties.

**Question 13. Do you think a revised EPC should be required to demonstrate improvements in energy performance? If not, what alternatives should be explored?**

This would increase the cost of taking a mortgage or renewing a mortgage if improvements have been made. However, there are no other mechanisms for confirming what energy improvements have been made in order to meet a higher band. Therefore, it would probably be prudent to require a new EPC if energy efficiency improvements have been made.

**Question 14. Do you agree that an assumed maximum spend for improvement works should be set at £10,000? If you do not agree, please specify what you believe would be the most appropriate level to set the threshold, providing evidence to support your views where possible.**

We are a bit confused about the relevancy of a cost cap to this mechanism. If there is a target for portfolios to meet an average of Band C by 2030 would homes that require a bigger spend than £10,000 be excluded for the measurement? If so, how would this operate in practice and who would make a judgement on how this cap was exceeded.

For this reason, we believe that the target should be Band D. This would allow for homes to reach that banding in a cost-effective method rather than incurring large costs.

**Question 17. Do you agree government should consider the option of setting a mandatory improvement target, should insufficient progress be made under a voluntary scheme?**

EUA believes that at this stage the target should be voluntary. A mandatory target will lead to homes becoming un-mortgageable. This would disproportionately affect the fuel poor

and homes on lower incomes. They will be unable to improve their properties to a Band C, even if there is a £10k cap.

There has to be a balance between encouraging improvements to properties and excluding people from home ownership.

**Question 23: Do you agree with the proposed alternative option of a mandatory target of a portfolio average EPC Band C by 2030 from the start of the policy? If you disagree, please explain why, highlighting any alternative target you think would be appropriate.**

EUA does not agree

### **Wider considerations**

**Question 29. Should works carried out to comply with these policies require that mortgagors choose a TrustMark approved provider or installer?**

EUA strongly urges BEIS to not make this a requirement. TrustMark covers less than 1% of heating engineers in the UK and so making this change could make practically all heating installations un-mortgageable.

We would strongly recommend that if BEIS want to improve quality they require mortgage lenders to ensure that improvements have the correct building regulations compliance certificate. For heating appliances this will mean that they have been installed either through Gas Safe or MCS.

We are also concerned that requiring Trustmark could undermine gas safety with consumers not knowing which installer to ask for and there could be a situation where they select non-compliant installers.

If BEIS are minded to proceed with this then as a minimum we would ask that this only applies to building fabric options and is reviewed in 2030.