



Chartered
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What you need to know about decarbonising the private housing sector



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Background

In July 2022 Tyfu Tai Cymru published a report looking at [decarbonising the private housing sector](#) in Wales. Tyfu Tai also provided oral evidence to the climate change committee in October 2022 on how to decarbonise the private housing sector. The climate change committee has now produced their report and outlined recommendations for Welsh Government in progressing the agenda for decarbonising the private housing sector.

Progress so far

There are 1.4 million homes in Wales with the privately owned sector making up 80 per cent of the total. The housing stock in Wales accounts for 11 per cent of total carbon emissions. Stakeholders were clear that the Welsh Government's approach to decarbonising the privately owned sector to date has been insufficient and ineffective. Even though 80 per cent of homes in Wales are privately owned the focus has been on the social housing sector with little or no work undertaken to decarbonise the sector or prepare it to do so.

The committee has recommended that the Welsh Government provides a clearer and stronger strategic direction to help drive progress towards decarbonising all homes in Wales. Any targets established must include the private sector and provide key milestones for the sector.

Current energy efficiency schemes

There was broad consensus that existing support is fragmented with many funding streams serving different purposes. The funding streams are not brought together in an integrated way to help people improve the energy efficiency of their homes. There has been a consultation on the warm homes scheme but no publication of the outcome.

There is also concern around the low uptake of funding for the energy company obligation. This is funding provided by energy suppliers for the installation of energy efficiency measures for low-income households. Concerns centred around a lack of capacity and resource in local authorities to engage with the scheme effectively.

The minister has stated that she is working with local government and others to develop an approach that maximised the participation of local government in the energy company obligation funding.

The committee has asked Welsh Government to publish the response to the consultation on warm homes by March 2023. The response must include details of the replacement warm homes programme. The minister has also been asked to continue to monitor the level of funding received from the energy company obligation scheme.

A regulatory approach to scaling up energy efficiency

Most stakeholders welcomed the UK Government's proposal to increase minimum energy efficiency standards. This was seen as an essential step to decarbonising the sector. Yet whilst the minimum energy efficiency standards apply to the private rented sector there is no equivalent standard for the owner occupier sector.

Some stakeholders warned of a further reduction in the private rented sector linked to increasing regulatory requirements. There is a need to mitigate against this. There is already an issue with enforcing minimum energy efficiency standards with local authorities not enforcing them due to a lack of capacity and resource. This needs to be addressed before the existing standards are strengthened. Introducing minimum energy efficiency standards in the private rented sector could result in stranded assets where those unable to afford the improvements ended up in negative equity or unable to sell.

In her evidence the minister was clear that there is a need to get the incentives right so that they do not result in a contraction of the private rented sector in a way that will make homelessness in Wales worse. Welsh Government is looking at a scheme to support private landlords. This will be a hybrid between the Leasing Scheme Wales and the Optimised Retrofit Programme. Any landlord joining Leasing Scheme Wales (LSW) will be eligible for grant funding to improve the energy efficiency of the property.

The committee was clear that there is a need for a range of incentives and regulatory standards to accelerate energy efficiency retrofit in the privately owned sector. The committee agreed with the minister's assessment of the private rented sector playing an important part in meeting Wales's housing needs. Yet whilst the LSW can assist there would be a need for significant scaling up if it is to meet Welsh Government's wider decarbonisation ambitions.

Addressing the knowledge and data gaps

There is a need for a better understanding of the existing stock to inform the approach to decarbonising the privately owned sector. The Welsh housing conditions survey has not been updated since 2018. The committee recommended that this is updated as soon as possible with an ongoing commitment to an annual survey. The committee did welcome the progress made in the development of a one shop stop for energy advice by developing Hwbs. Though initially these are only available for social landlords.

Developing skills and the supply chain

Currently there is an underdeveloped supply chain and skills base. This is a significant barrier to retrofitting Wales's homes. Delivering the decarbonisation agenda across all tenures will require 12,710 skilled contractors in Wales alone. The committee stated that Welsh Government needs to do more at pace and scale to grow the supply chain and address the ongoing skills gap.

Fiscal incentives and financial solutions

Stakeholders voiced their support for the introduction of a variable land transaction tax linked to a property's energy rating. This would include rebates if an improvement was made to the energy rating within five years of purchase. Another option was to alter a property's council tax band as energy efficiencies were made. Support was also given by stakeholders to the introduction of property linked finance which would fund up to 100 per cent of the upfront costs of retrofitting with the finance linked to the property. Another option would be equity release schemes for owner occupiers, especially those who were asset rich but cash poor.

The minister stated that the land transaction tax purpose is to raise revenue to fund public services. She is keen however, to explore how we can use all our taxes for behaviour change in the context of climate change. Incentives on council tax arrangements may be something that could be looked at for properties brought up to EPC A or better.

The committee saw fiscal incentives as an important part of the change needed to consumer behaviour. If coupled with financial support mechanisms, they could help drive



energy efficiency retrofit. Using fiscal incentives in this way is not a new concept but it is yet to be tested in Wales. The committee has asked the minister to assess the feasibility of using Council Tax and Land Transaction Tax to incentivise energy efficiency retrofitting of a property. The minister also needs to accelerate work to develop proposals for financial solutions for the able to pay sector such as property linked finance and equity release.

A view from CIH

It is encouraging that many of the recommendation made by the committee mirror our policy asks as part of our report on [decarbonising the private rented sector](#). Yet we have some concerns around the capacity and resources available to local authorities in undertaking some of the recommendations. We ask Welsh Government to provide a specific resource to local authorities in Wales that is ring-fenced to provide capacity to take forward some of these recommendations. We would also ask that Welsh Government to expand the scope of the hwbs, opening them up to the private sector as soon as possible to provide support and raise awareness of what help is available to retrofit homes in the private sector.

We welcome the caution around increasing regulations in the private rented sector and whilst the leasing scheme Wales can be used as an incentivisation tool, the rent paid to landlords is set at local housing allowance levels. Yet research published by the Bevan Foundation found that in February 2023 only 32 properties for rent in Wales would be covered by Local Housing Allowance. If the leasing scheme Wales is to be used as a lever for change, the Welsh Government needs to look at the level of rent available to private landlords using the scheme.

We echo calls to look at the skills needed to deliver the decarbonisation agenda in Wales and see the recent publication of the net zero skills action plan as an important step. Yet we need to look at this across the housing sector and across tenures if we are to meet our zero-carbon target by 2050.

Further information

CIH Cymru will continue to work with Welsh Government and our members as we move to a zero-carbon economy here in Wales. If you would like to provide feedback on this briefing or share views on future engagement, please contact: cerys.clark@cih.org.

