



Chartered
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Housing

What you need to know about the Heat and Buildings Strategy



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Introduction

On 18th October 2021, the government published its much-anticipated [Heat and Buildings Strategy](#), which sets out the immediate actions and long-term approach required to reduce emissions from buildings by 2050. The Heat and Buildings Strategy follows on from [The Clean Growth Strategy](#), published in 2017, which set out the government's high-level plans for meeting carbon budgets, and acknowledged the challenges posed by decarbonising heating.

The new strategy is described as a 'plan to drive down the cost of clean heat' and aims to incentivise people to install low-carbon heating systems in a fair and economical way as they replace their old boilers over the coming decade, with a 2035 cut-off target for the installation of natural gas boilers. The strategy outlines a transition that focuses on reducing bills and improving comfort through energy efficiency, and building the markets required to transition to low-carbon heat, while also testing the viability of using hydrogen for heating. The government have said that it is committed to considering individual, local and regional circumstances when transitioning to high-efficiency, low-carbon buildings.

Background

Decarbonising the UK housing stock is a major challenge on the road to Net Zero by 2050, but one that is central to delivering warmer, more comfortable homes. Heat in buildings is one of the largest sources of UK carbon emissions, accounting for 21% of the total, so there is an urgent need to deliver a mix of new, low-carbon heating solutions to meet the country's legally binding carbon reduction targets.

Decarbonising energy used in buildings is a key part of the Clean Growth Strategy and the Prime

Minister's Ten Point Plan for a Green Industrial Revolution to "build back better and build back greener". This means improving building fabric efficiency, changing the way we heat and cool our buildings and improving the performance of energy-consuming appliances.

The Heat and Building Strategy is needed because while houses are now powered by cleaner electricity, much slower progress has been made in decarbonising their heating systems. Emissions are only 14% below 1990 levels and have been increasing slowly in recent years. The UK is also known as having among the oldest, leakiest and least energy-efficient housing in Europe, with around 19 million homes sitting on Energy Performance Certificate (EPC) ratings of D or worse.

Key proposals

As part of the £3.9bn package for decarbonising heat and buildings from 2022 to 2025, government have announced:

- £800m for the Social Housing Decarbonisation Fund
- £950m for the Home Upgrade Grant scheme
- From April 2022, homeowners will be offered grants of £5,000 to install more efficient heating systems, through a new £450 million three-year boiler upgrade scheme.
- £1.4bn for the Public Sector Decarbonisation Scheme (non-residential buildings)
- £338m for the Heat Network Transformation Programme

Homeowners will be given £5,000 grants towards heat pumps

A central part of the strategy is the replacement of traditional gas boilers with [heat pumps](#).

The installation of heat pumps from April 2022 will be delivered through a £450m [boiler upgrade scheme](#). This package will run over the

next four years and will be used to decarbonise social and non-social housing through energy efficiency retrofits, and to decarbonise public buildings and fund heat networks.

Through the scheme, homeowners can access grants of £5,000 for the purchase of air source heat pumps (ASHP) and [biomass boilers](#), and grants of £6,000 for [ground source heat pumps](#) (GSHP).

A £60m programme called Heat Pump Ready has also been announced to drive technological innovation to make the systems smaller, easier to install and cheaper to run over the coming years.

The strategy has outlined expected cost reductions during the lifetime of the schemes, with the aim that homeowners who install a heat pump eventually pay a similar amount to a traditional natural gas boiler.

How will the scheme work and who is eligible?

The scheme is similar to the recently scrapped [Green Homes Grant](#) (GHG) but on a first-come-first-served basis to those who meet the eligibility criteria. As with the GHG, those who apply will have vouchers with set validity periods. The validity period will be three months for ASHP and biomass boiler vouchers, and six months for GSHP vouchers.

The scheme will only be available in England and Wales. Householders in Scotland can access funding through [Home Energy Scotland](#) and the [Energy Efficiency Business Support Service](#).

Householders and owners of small non-domestic buildings will be eligible to apply, if they have a valid Energy Performance Certificate (EPC), typically one issued in the last 10 years with no outstanding recommendations for loft or cavity wall insulation.

Social Housing Decarbonisation Fund and Home Upgrade Grant Scheme

Government plan to continue to ensure financial support is targeted to those who need it most. It will do this by boosting the Social Housing Decarbonisation Fund by £800m and the Homes Upgrade Grant Scheme by £950m over 2022/23 to 2024/25. These cash injections aim to help improve the energy performance

of low-income households' homes, support low-carbon heat installations, help to reduce [fuel poverty](#), and build the green retrofitting sector. The strategy considers how to ensure flexible demand and supply, including through smart technologies and energy storage, building on existing work to recognise new technologies in the [Standard Assessment Procedure \(SAP\)](#) methodology so that buildings are decarbonised in a way that works for the consumer and the wider energy system.

The strategy also touches on the [Decent Homes Standard](#) review and how the standard can work to support energy efficiency and decarbonisation .

Private Rented Sector

Government plan to improve the energy performance of privately rented homes, enforcing minimum standards to ensure the housing stock is on track to meet EPC band C by 2035 where practical, cost-effective, and affordable. The government say that they will work with the grain of the market, using natural trigger points to help minimise disruption to consumers.

Gas boilers

The strategy makes clear that 'no one will be forced to remove their existing boilers' and that given the lifetime of a natural gas boiler is around 15 years, to reach Net Zero in a cost-effective consumer-friendly way, the plan is to 'phase out' installation of new natural gas boilers beyond 2035, once costs of low-carbon



alternatives have come down.

New building regulations and trialling of hydrogen

The government will introduce legislation, including new building regulations, to ensure homes are fitted with low-carbon heating, avoiding the need for later retrofits.

An alternative to heat pumps is hydrogen, which has lower installation costs than heat pumps. But the strategy puts off any decision on using hydrogen until at least 2026 while the government carries out trials to assess the technology's feasibility. These will include a neighbourhood trial by 2023 and a village scale trial by 2025. Plans for a 'hydrogen town' will also be developed by 2025 to be implemented within this decade.

The government said it will also investigate enabling or requiring new gas boilers to be easily convertible to use hydrogen by 2026, minimising disruption and installation costs to consumers.

What does CIH think?

The Heat and Buildings strategy appears well thought-out and hugely promising as a jump towards net zero targets.

It also provides the opportunity to provide warm, comfortable homes for everyone, that are affordable to heat. The key proposals include much to be positive about, and we particularly welcome the announcements of new funding to install low-carbon heating in people's home.

However, we do urge greater ambition from government, and we recognise that this strategy does not go far enough. For example, around 23 million homes still have gas boilers. The strategy sets 2035 as the proposed 'end date' for any gas boiler to be installed, whether new or replacement. This is a significant step-change; however, the wording refers to a "confirmed ambition to phase out gas boilers by 2035" implying less urgency. A faster pace of change than has been proposed would show greater ambition and leadership for the country to reach zero carbon goals by 2050.

Moreover, the £5,000 household grants will help just 30,000 households per year – a modest share of the 200,000 annual installations assessed as needed by the Committee for Climate Change (see the UK Housing Review 2021). This grant funding was an opportunity to channel support into low-income households, but [with heat pumps costing at least £7,000](#) and gas boilers starting at only £1,000, heat pumps will still be more expensive than gas boilers for the foreseeable future. While investment will drive down the cost of heat pumps over time, these grants may incentivise better-off households rather than those on low incomes. We would like to see targeted financial support for low-income households to enable them to embark on the journey to better energy efficiency.

Achieving overall net zero targets will require much larger and long-term investment in energy efficient homes. We have urged government to make a stronger financial commitment to the Social Housing Decarbonisation Fund.

A huge effort is needed to prepare for the roll out of these schemes and as a sector we must be prepared to learn and adapt quickly as work proceeds, to ensure a smooth and successful transition. There are complex environmental challenges ahead and it is vital that tenants are involved at all stages of the decarbonisation journey; any plan to retrofit properties should and must reflect the daily priorities of lower income households, to alleviate further pressures for people in a position where they must choose between whether to heat or eat. [Our recent research with Orbit Group](#) demonstrates that it is essential to build an ongoing rapport with customers on this agenda.

We are hopeful that having a strategy in place, will give the sector more confidence and clarity and, with new financial support for customers, we can push forward with decarbonisation.

We will continue to work collaboratively with government to develop policy on energy efficiency across the UK housing stock, and we will continue to support our members with the transition to new, low-carbon heating measures.