

NFA briefing note on EnergieSprong October 2018

Introduction

The NFA initially met with Energiesprong, a Dutch market development program for energy efficiency in buildings, in February 2014. This meeting was to explore the possibility of ALMO and NFA involvement in a retrofit project that they hoped to bring to England's social housing stock.

Further to the initial meeting five interested ALMOs met with EnergieSprong to explore the details of the project further. The NFA then supported an EU bid for funding via a partnership agreement to pilot the EnergieSprong model in the UK. They also engaged with DECC (BEIS now), the GLA and the NHF.

Nottingham City Homes was able to take the project forward after funding became available and they have now completed their first 10 homes through the project.

EnergieSprong

EnergieSprong is Dutch government funded organisation that operates outside the government and in the market. They play a role as a catalyst to help develop the energy efficiency market and organise both demand and supply sides to get sufficient scale for the market to agree to develop products at the right prices for landlords.

10,000 homes will be completed using the approach in the Netherlands by the end of 2019. The French have drafted a volume deal for 3,600 homes and the German and Italian Governments are supporting market development activity of c£10m each. Around 9.3m homes are suitable for EnergieSprong-type retrofit in the UK (with over 2m in social-ownership).

The social landlords borrow money to invest and get a return through the savings made on the energy use which is paid for at the same level as before by the tenants although they are looking to share some of the savings with tenants in the programme going forward.

EnergieSprong and front running housing providers are leading the change to industrialise the deep retrofit of home with its long-term, performance-assured, whole house retrofit approach that provides super-insulated, comfortable homes fit for 2050.

Approximately £20m of funds have been deployed in the UK to prove the technical feasibility, which has attracted an initial pipeline of c300 homes; the first 10 are complete in Nottingham and this is being rolled-out to a further c150 homes this Autumn. A UK supply-chain is forming, SMEs, traditional contractors and an international energy company have engaged in the first UK demonstrators.

In April they submitted an Expression of Interest for £115m of ESCF Wave 3 funding to scale the market with assistance from BEIS officials who are engaged with at top level.

Why deep retrofit?

The Carbon Plan (2011) sets out that to achieve the 2050 80% emissions reduction target, all buildings will need to have an emissions footprint close to zero. To meet this goal all UK homes (27m) will need high-quality retrofit and the most cost-effective pathways need to be followed.

The Government is currently pursuing an incremental approach to this. Most recently Government has:

- introduced the Minimum Energy Efficiency Standard (MEES) - 1 April 2018, applies to private rented residential and non-domestic property
- set out through the Clean Growth Strategy:
 - a desire for all fuel poor homes to be EPC C by 2030 and an ambition for as many homes as possible to reach EPC C by 2035
 - aim of upgrading as many PRS homes as possible to EPC C by 2030
- an intention to consult on a 2030 energy standard for social housing, with the current suggestion of setting at C.

Informal consultation has started and the formal consultation is expected in Spring 2019.

To date, this incremental approach has been backed by incentive measures, primarily through ECO and its predecessors, that encourages single measures or a combination of single measures.

However, EnergieSprong and many others in the sector argue that by encouraging an incremental approach, incentivising single measures and creating a lock-in to a 20-30% savings path in most cases (and a lock-out of getting to a performance level in line with the 80-95% CO₂ savings required), buildings are subsequently no longer (financially) attractive for the next 25-30 years to start again and do it right.

Measures rarely 'stack' on top of each other; old measures generally need to be removed before new ones are applied. It is arguable over the past decade a significant share of ECO supported investments have made the carbon objectives harder to achieve.

Behaviour driven by the iterative approach includes applying measures to take homes just to the next level of performance, multiple separate disruptive property interventions, application of short-sighted measures (e.g. replacement of gas boilers vs introduction of heat pumps), innovation and cost reduction are not invested in, and the performance gap is not addressed.

Moreover, the most cost-effective pathway to 2050 must be pursued. BEIS unofficial figures suggest that the cost of taking social rented housing currently at EPC D or below to EPC C with individual measures is in the region of £11bn. It's estimated that the cost of getting homes to net zero energy with individual measures and limited innovation

averages £150k per home. At this price point taking these social rented homes to net zero energy could cost £250bn.

In contrast, a market transformed through industrialisation, innovation and with measured and guaranteed energy performance could deliver net zero energy homes at a price point of around £35k with as little as 3,500 units in the market – reducing the total investment to around £59bn.

EnergieSprong are therefore trying to convince Government and social landlords to work instead to a net zero energy target by 2050 and through their pilots aim to show how this can be done as well as building the supply chains and market in order to deliver it.

Nottingham City Homes

Now they have successfully completed their first 10 homes they are keen to roll out the programme further. They have just received confirmation of European Regional Development Fund money for next phase of 155 homes and are keen to support the roll out of this initiative further across as many councils and ALMOs as possible.

The NFA are working closely with them to identify any helpful policy or financial changes that would help incentivise the project to other ALMOs or make it easier to deliver but also to spread the learning across the sector. As part of the sector's commitment to improving the health and wealth of tenants the NFA are still very supportive in the project. It could also help the sector contribute significantly to meeting the country's climate change targets. We are therefore promoting the work done so far at NCH and are encouraging others to consider the suitability of the project and get involved.

We would like to gauge interest in an NFA visit for ALMO CEOs or other colleagues to Nottingham to see their first 10 houses and will invite EnergieSprong to do a session at the Annual Conference in April 2019.

Other ALMOs involved

EnergieSprong have also been in contact with many other social landlords across the country and are seriously talking to a number of councils, housing associations and the following ALMOs:

Stockport Group
St Leger Homes of Doncaster
Sutton Housing Partnership

They had been in discussion with Northwards Housing but they are not now taking it any further, Homes in Sedgemoor and Your Homes Newcastle who we understand are still considering the project.

NFA visit

If you are interested in an ALMO visit to Nottingham to see the first 10 homes completed under the EnergieSprong initiative contact Chloe Fletcher at chloe.fletcher@almos.org.uk as soon as possible.