

Energy UK Briefing: Net Zero policies are important for people and the economy

20 September 2023

Global competition for investment in clean technologies is increasing. It is vital the UK Government does not send signals that will damage investor certainty in the UK and risk meeting our legally-binding Net Zero targets. This applies to companies investing in decarbonising homes, businesses and transport, as well as large-scale infrastructure developers.

Key facts:

- Not meeting Net Zero will [cost more to UK taxpayers](#) than the investment required to do so.
- The [Climate Change Committee](#) and [Office for Budget Responsibility](#) estimate that the majority of investment to reach Net Zero will come from the private sector. Investors need regulatory and political certainty.
- Previous attempts at short-sighted policies that “cut the green crap” have [added £9.8bn to bills](#).
- Investing in clean power generation and energy technologies and reducing demand through energy efficiency will achieve energy security and result in more stable and affordable energy bills for households and businesses in the long term.

Improving the energy efficiency of rented properties will save people money, strengthen energy security and boost the economy

Energy efficiency standards for the private rented sector (PRS)

- The private rented sector (PRS) represents 19% of UK households.
- 1 in 4 households in the PRS live in fuel poverty ([NEA](#)).
- Currently landlords have little incentive to invest in energy efficiency measures
- The UK has some of the leakiest housing stock in Europe and is wasting energy through poorly insulated homes, in some cases up to three times faster than other European countries.
- In 2020, the Government consulted on proposals to introduce Minimum Energy Efficiency Standards (MEES), requiring as many privately rented homes as possible to achieve EPC Band C by 2030. There has not yet been a response to this consultation.
- The Government’s statutory fuel poverty target is to ensure that as many fuel poor homes, as is reasonably practicable, achieve EPC C by 2030. Currently, around half of UK homes do not meet this standard.
- The Citizens Advice report ‘[Home Advantage](#)’ identified that, of the 15 million homes in the UK currently below EPC C, 13 million had significant potential to reach this standard. The report quantifies the benefits of this work, and its findings include:
 - £40bn in cumulative benefits to Britain by 2030;
 - Saving customers £24bn on energy bills by 2030; and,
 - Stopping 670,000 children from developing asthma, and preventing 6,000 excess winter deaths every year, saving the NHS £2bn by 2030.
- Within the PRS, E3G estimates that the proposed new energy efficiency standards would:
 - save renters £570 per year; and,
 - lead to aggregate annual savings of £1.75bn.

Jobs and economic benefit

- Retrofitting buildings [will see](#) 350,000 new jobs created in the construction industry by 2035.
- [Analysis by IPPR](#) found that the constituencies with the highest demand for installers were likely to be in current or former industrial centres and coastal communities, including Doncaster North, Sheffield Hallam, Clacton and North Norfolk.

Future Homes Standard (FHS)

- The FHS will require that future-proofed and energy efficient homes are built from 2025.
- Delaying or scrapping it would bring long-term costs to customers; retrofitting low carbon heat technologies can cost [up to £10,000](#) whereas installing in new build properties, as would be encouraged by the standard, would cost [just over £3,000](#) per new home. The Government’s Impact Assessment states that this marginal increase in build costs would initially be borne by

developers, before ultimately being passed to landowners. It is not anticipated to have an impact on demand for new homes.

Decarbonising the way we heat our homes will reduce UK exposure to volatile gas prices and bring more stable energy bills and improved energy security

The Government's [Heat Pump Investment Roadmap](#), published in April 2023, showcases 'significant opportunities for private sector investment offered by the growing heat pump market in the UK'.

- The roadmap states that 'by the end of the decade, the UK will be one of the largest heat pump markets in Europe'. It also references how the UK Government's 'supportive policy environment', its 'stable regulatory regime' and 'ambitious policies' are attracting private investment into the UK.
- As part of its 'world-leading policy framework', the roadmap refers to the UK Government's commitments to 'introducing a Future Homes Standard for new build in 2025. Consulting on ending the installation of new fossil fuel heating for homes and non-domestic buildings off the gas grid, starting in the mid-2020s. Aiming to phase out the installation of new and replacement natural gas boilers by 2035 at the latest.'

UK Government is aware if it were to scrap these policies, it would be creating an unfavourable and uncertain investment landscape in the UK, hampering job creation and growth. Competition is growing, especially across the EU; last year France installed more than 10 times the number of heat pumps that the UK did.

Growing the heat pump market promises economic dividends:

- The [Net Zero Review](#) estimates that a strong manufacturing base for heat pumps in the UK could contribute £500 million GVA per annum in export opportunities.
- Modelling by the Construction Industry Training Board and Eonomia [suggests that](#) 60,000 additional heat pump installers will be needed to meet the CCC's projections for decarbonisation.

Building a world leading electric-automotive sector will benefit the economy, jobs and society

Potential savings to customers

- The average Electric Vehicle (EV) will save its owners [£8.3k](#) over its lifetime through lower fuel and maintenance costs (ECIU).
- Average EV battery costs have fallen by 80% in the past 10 years. Within a few years, purchasing an EV will cost the same as internal combustion engine vehicles (ICE).
- One million additional ICE cars and vans would cost the UK taxpayer £660 million in associated health costs such as air pollution.

The UK has an opportunity to lead but must move quickly to secure an early mover advantage.

- Competition for manufacturing and skills for EVs is increasing; 21 other leading economies are banning sale of new ICE cars and vans by or before 2035.
- The UK automotive sector could be worth [£106bn](#) between now and 2030 if this date is set.
- Currently, 80% of vehicles made in the UK are exported, with over half going to the EU.
- Finished vehicles are among Britain's most valuable exports, delivering revenue of £24bn, £10bn of which is from electrified vehicles.
- The EU has a 2035 phase out date. With the UK's EV supply chain having already grown by 25% in the past 5 years, we have the opportunity to capitalise on EU export as uptake increases.
- There is huge potential for the UK to build on its position as a major automotive exporter and take advantage of rapidly increasing global demand for ZEVs. This will help preserve the future of the 780,000 high-paying jobs in the UK automotive sector.

Rolling back targets risks investment that has been driven by the 2030 date

- Ford - £430m in UK facilities with further investment planned in line with a 2030 target.
- Tata Group - £4bn investment in new battery manufacturing in Somerset.
- After announcing that production of the electric-Mini would relocate from the UK to China in 2022, BMW recently confirmed over £600m to produce electric-Mini models back in UK.