

Energy Saving Trust Green Recovery Policy Proposals ahead of the 2021 Senedd Election

Wales was the first country in the world to declare a climate emergency¹ and we firmly believe that the nation is well placed to capitalise on a number of green recovery opportunities over the next 5 years and beyond to cement its place as a leader in addressing the climate crisis.

Data gathering undertaken by the Senedd Finance Committee as part of their scrutiny of The Welsh Government's 2021-22 Draft Budget proposals indicated a strong desire from the public to address climate change as part of an economic recovery and to increase Welsh Government expenditure to achieve this aim. This desire to address the climate crisis has also been consistently mirrored in UK-level statistics².

The available evidence strongly suggests that investing in 'green' projects and programmes will return sizeable dividends³, far and above those which could be achieved through traditional stimulus programmes⁴ whilst helping to tackle fuel poverty, ill health, and access to opportunities.

Energy Saving Trust

Energy Saving Trust is an independent UK-wide organisation operating in Wales dedicated to promoting energy efficiency, low carbon transport and renewable energy. We aim to address the climate emergency and deliver the wider benefits of clean energy as we transition to net zero. We empower householders to make better choices, deliver transformative programmes for governments and support businesses with strategy, research and assurance – enabling everyone to play their part in building a sustainable future.

¹ <https://gov.wales/welsh-government-makes-climate-emergency-declaration>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/934647/BEIS_PAT_W35_-_Key_findings.pdf

³ <http://transitioneconomics.net/wales-infrastructure-recovery-covid-tuc>

⁴ <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>

Home Energy Efficiency and Renewable Heat

Improving the energy efficiency of Welsh homes will be essential to meet Wales' climate change targets while helping to alleviate fuel poverty. Good progress has been made in Wales towards addressing fuel poverty, with the percentage of households in fuel poverty being cut by more than half in a decade thanks in part to Government policy. This has also had a significant impact in terms of carbon reduction and job creation but more needs to be done to improve the efficiency of Welsh homes. A recent IPPR report⁵ highlighted that in Wales expanding home energy efficiency retrofits as well as renewable heat installations could offer significant job creation potential. Energy efficiency retrofit and the rollout of renewable heat is particularly beneficial due to being geographically dispersed and labour intensive, and would primarily support traders and SMEs in Wales. Significant co-benefits would also arise from this investment in terms of improved public health, the alleviation of fuel poverty, and the comfort and well-being of the people of Wales.

We recommend that the next Welsh Government should:

- **Continue and expand** the work of the **Warm Homes Programme**
 - Expand the provision of tailored advice and begin to utilise the latest in smart meter data.
 - Be prepared to phase out public funding for new fossil fuel heating systems from the mid-2020s

- Create a **national retrofit fund** to **incentivise owner occupiers and private-sector landlords** to improve the efficiency of their properties and install renewable heating systems. A funding pot should also be made available to fund preparatory works so that the most vulnerable households are not excluded.

- **Support Welsh local authorities in leveraging additional ECO funding** by funding impartial expert advisors. Scottish local authorities receive twice the share of ECO funding relative to their share of the GB population facilitated by this low-cost approach.

⁵ <https://www.ippr.org/files/2020-07/transforming-the-economy-after-covid19-july2020.pdf>

- **Implement low-interest Government loans tied to individual properties**, or Property Assessed Clean Energy (**PACE**) **financing**⁶ which could utilise existing council structures and place the costs of retrofit onto council tax bills, working alongside the national retrofit fund proposed above and plugging gaps in retrofit provision not covered by existing programmes or the 'green mortgage' approaches under consideration by the UK Government.
- **Enforce any Minimum Energy Efficiency Standards** or other measures to improve the private rented sector as part of the **regular 5-yearly re-licensing process** performed by **Rent Smart Wales** and through **increased funding for local authorities to enforce standards**.
- Set an **EPC target of 'C' by 2030 for all private tenure types with a 'worst first' principle** which would **prioritise the least efficient homes and those in fuel poverty**.
- **Support the rollout of renewable heat**
 - Recognise that existing levels of support through UK Government schemes will not be sufficient and additional financial support for consumers will be required
 - Set a target for the installation of renewable heating systems of 50,000 per year by 2030, this broadly aligns with the recommendations of the Climate Change Committee but represents a significant acceleration from current levels.
 - Prioritise no- or low-regret properties in the short term: new-builds, those off the gas grid and households already replacing heating systems.
 - Set an ambitious target for the phase out of Welsh Government support for fossil fuel heating systems through Government programmes. Scottish Government has committed to this by 2024 in Scotland (where this will not have a detrimental impact in terms of fuel poverty).

⁶ <https://www.europace2020.eu/>

- Focus on skills and training to help to deliver this work through the creation of dedicated training courses in FE and HE establishments in Wales and funding for existing tradespeople to retrain or upskill. We welcome the ongoing work from the Construction Industry Training Board and others in creating 'retrofit academies' in Wales⁷.

➤ **Targets for new homes**

- Homes built from 2021 should be future proofed in readiness for low carbon heating systems with high thermal efficiency and build quality. Any additional works should aim to coincide with household moments of change⁸
- Require that homes built from 2025 are only heated by low/zero carbon heating systems, built to the most efficient fabric standards and generate as much low carbon power as possible.
- Set out an ambitious timetable and targets for introducing a requirement for cutting the carbon used in the construction of new homes.

Low-Carbon Transport

Low carbon transport presents a particularly exciting green recovery opportunity for Wales in terms of both job creation and emission reductions⁹. Emissions from transport are the third largest source of CO₂ in Wales¹⁰. Currently, 80% of commutes are made by car, the highest proportion in Great Britain. The majority of trips are short, illustrating that significant opportunities exist to transition towards a greater share of zero carbon transport.

➤ **Create '15-minute Cymunedau' across Wales**

COVID-19 has forced many of us to spend more time closer to home and to rethink the significance of our communities/cymunedau. Bringing services closer to people's

⁷ <https://gov.wales/written-statement-optimised-retrofit-programme-2020-21>

⁸ Verplanken, B., Roy, D., & Whitmarsh, L. (2018). Cracks in the wall: Habit discontinuities as vehicles for behaviour change. In B. Verplanken (Ed.), *The psychology of habit: Theory, mechanisms, change, and contexts* (pp. 189-205). https://doi.org/10.1007/978-3-319-97529-0_11

⁹ <https://www.ippr.org/files/2020-07/transforming-the-economy-after-covid19-july2020.pdf>

¹⁰ <https://stats.wales.gov.wales/Catalogue/Environment-and-Countryside/Greenhouse-Gas/emissionsofgreenhousegases-by-year>

homes can reduce the number of trips taken by car – tackling emissions, encouraging active travel and strengthening local communities and economies.

Numerous projects¹¹ have demonstrated that to ensure the benefits of low carbon transport infrastructure are realised, it is vital to invest in community and workplace engagement and training to shift habits, grow awareness of local routes and build confidence in active travel.

- **Create work hubs to support local people and businesses in better-connected '15-minute Cymunedau'.**
- **Invest in training and engagement to build confidence in active travel.**
- **Set a target of 50% of journeys being made by active travel or low-carbon public transport by 2030 with more robust data collection in place to enable this.**

➤ **Support fleets to become agents of change**

Fleets and businesses are a major purchaser of new vehicles across the UK, accounting for over 50% of car registrations in 2020¹². The lower running and maintenance costs of Electric Vehicles (EVs) can make them an excellent choice for many organisations while increasing the visibility of EVs among employees and the public. Due to the higher turnover of fleet vehicles, fleet sales drive the second-hand market, improving the affordability of EVs for private buyers. Through our experience delivering extensive fleet support programmes we've seen how investing in closer engagement with Welsh fleet managers could deliver results quickly.

- **Prioritise the delivery of tailored, impartial advice for fleet managers to give them the confidence they need to switch to EVs.**
- **Welsh Government, NHS, local authority fleets, and the fleets of other public bodies should demonstrate leadership in the transition, leading by example and ensuring that the *Prosperity for All: A Low Carbon Wales* ambitions are met.**

¹¹ For just one example among many, Sustrans' Introductory Guide for low traffic neighbourhood design emphasises community engagement <https://www.sustrans.org.uk/for-professionals/infrastructure/an-introductory-guide-to-low-traffic-neighbourhood-design/>

¹² <https://www.smm.co.uk/vehicle-data/car-registrations/>

➤ **Sustainable Transport and Infrastructure**

A 'one-stop-shop' or 'net zero home' advice service should be developed through the incorporation of impartial and expert transport advice into the existing Warm Homes Programme advice provision to support citizens and businesses in the move towards more sustainable modes of transport. Recent research undertaken by the Behavioural Insights Team and the Transport Research Laboratory¹³ found that while access to adequate infrastructure played a crucial role in promoting the adoption of EVs, awareness raising, access to accurate information, and affordability were fundamental prerequisites.

The private sector has an important role to play in expanding EV infrastructure but government investment is needed to ensure an equitable distribution of chargepoints able to serve particular user groups. We have recently responded to The Welsh Government's Electric Vehicle Charging Strategy consultation proposing the following points to help ensure EV-focused investments work for all.

- **Set up targeted grant funds for EV chargepoints focused on particular regions or groups less well served by private firms with local authorities leading the way.**
- **Broaden Welsh Government impartial and expert advice provision, for both local authorities and the public,** to include advice on active travel, EVs and chargepoints.
- **Address the local authority resource and skills gap with impartial, tailored support** for each authority to develop a strategic solution appropriate to their area and the resources available.
- **Consider the full range of financial support measures** to improve the acceptability and affordability of EVs for more people, including grant schemes and low interest loans for new and used EVs¹⁴, try before you buy schemes¹⁵, EV car clubs¹⁶ and Welsh Government 'top ups' for existing schemes.

¹³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/914111/driving-and-accelerating-the-adoption-of-electric-vehicles-in-the-uk.pdf

¹⁴ <https://energysavingtrust.org.uk/grants-and-loans/used-electric-vehicle-loan/>

¹⁵ New £9m try before you buy scheme from Highways England managed by Energy Saving Trust. Details here: <https://www.gov.uk/government/news/leading-the-charge-on-world-ev-day>

¹⁶ www.arloesigwyneddwlledig.cymru/en/prosiectau/ceir-cymunedol-trydanol/

Renewable energy

Further investment in renewable technologies could benefit the most economically disadvantaged regions of Wales. Research shows that reaching net zero will create up to 260,000 new jobs in the UK energy sector¹⁷. The latest Welsh Government statistics suggest that we are already generating 51% of our electricity from renewable sources¹⁸. Wales can and should go further:

➤ **Offer enhanced advice to homes and businesses**

- **Build on existing advice provision** for home energy offered through the Warm Homes Programme with the ultimate goal of creating a **'net zero home' advice service** able to address questions related to renewables with **effective, impartial, and expert advice** and so build on the strong foundation of renewable generation in Wales with further installations.

➤ **Facilitate 'sandbox' tests for developing technologies**

Build on the success of our manufacturing sector and become a leader in battery storage technology and energy flexibility by encouraging 'sandbox' test projects for these developing technologies. 'Sandbox' schemes seek to test possible future energy system scenarios and are defined pilots where normal regulatory barriers are relaxed to allow new combinations of technologies and digital or financial models to be trialled in real world conditions¹⁹.

- Welsh Government should **work with communities, utility companies, manufacturers, and distribution system operators to identify and pilot these programmes.**

➤ **Prioritise public sector Power Purchase Agreements**

¹⁷ <https://www.nationalgrid.com/document/126256/download>

¹⁸ <https://gov.wales/sites/default/files/publications/2020-11/energy-generation-in-wales-2019.pdf>

¹⁹ <https://project-leo.co.uk/>

Build on the *Local Ownership of Energy Generation* policy statement by supporting community renewable energy projects through Power Purchase Agreements between these groups and the public sector as part of an explicit Welsh Government policy.

- Welsh Government should **set a strategic priority to develop a standardised approach**, creating template agreements which remain customisable to reflect the complexities of individual buildings and sites²⁰.

➤ **Increase carbon saving and social benefit 'value for money'**

Incentivise additional pro-environmental and pro-social behaviours from local energy projects receiving Welsh Government support

- Projects which evidence the **meeting of predefined targets** (eg to invest in an EV car club, recirculate money into renewable deployment, retrofit local homes, promote local procurement and skills training) **should receive additional funding** (eg top ups on a PPA or match funding for projects).

Supporting wider ambitions

Investing in a green recovery and striving towards a net zero society can also be an opportunity to address wider societal goals related to strengthening the Welsh economy and communities across Wales.

➤ **Support the Welsh supply chain via procurement**

The Welsh Government can support Welsh supply chains and SMEs involved in delivering the policy proposals detailed in this document.

- Welsh Government should **set ambitious Welsh procurement targets for public-funded projects** which **prioritise Welsh businesses** or businesses who **employ a significant number of people living or working in Wales**.
- Continue and build on the work of Business Wales to prioritise moving towards net zero and **support new and existing businesses in the sustainable energy supply chain with dedicated supply chain support**. This could include training,

²⁰ This approach is already being deployed by Egni Coop with Welsh Government Energy Service support, a Welsh Government commitment to such a programme would be a matter of scaling up an existing model.

grant and loan funding, certification, procurement guides and further resources. Energy Saving Trust manages the sustainable energy supply chain programme²¹ for The Scottish Government, something similar could prove effective in supporting existing businesses and stimulating the green economy here in Wales.

➤ **Prioritising a just transition**

Achieving a transition to a net zero society that is just and leaves no communities behind must be a priority for the future Welsh Government.

- **Welsh Government should consider creating a dedicated Just Transition Commission** which would sit alongside the successful Future Generation's Commissioner. This Commission would take a bird's eye view of the net zero transition and ensure that its costs and benefits are shared equally by all.

As we recover from the coronavirus crisis we should keep the climate crisis at the forefront of our minds and remember that investing in warm homes, clean transport, and green energy is good for the economy and society, as well as for the climate.

²¹ <https://energysavingtrust.org.uk/business/energy-efficiency/support-for-supply-chain/>