



# UK Government Energy White Paper

**December 2020**

The UK Government has set out its plans to power a net zero future in its [Energy White Paper](#), following the Prime Minister's [Ten Point Plan for a Green Industrial Revolution](#). The White Paper provides further clarity on the Government's measures to reduce carbon emissions from industry, transport, and buildings, and puts in place a strategy for changes to the energy system, a green recovery, and a fairer deal for householders.

## **The Energy System**

The Paper states that decarbonising the energy system over the next thirty years means replacing, as far as possible, fossil fuels with clean energy technologies such as renewables, nuclear and hydrogen. This, it is outlined, means largely eliminating the use of natural gas to heat our homes, and make them more energy efficient, but also ensuring that our homes are adapted to deal with overheating.



Plans include generating emission-free electricity by 2050 with a trajectory that will overwhelmingly decarbonise power in the 2030s. Low carbon electricity is seen to be a key enabler of the transition to a net zero economy with demand expected to double due to low carbon heat and transport.

The Government will generate new clean power with offshore wind farms, nuclear plants and by investing in new hydrogen technologies. It will also set a clear path that sees the gradual move away from fossil fuel boilers over the next fifteen years as appliances are replaced with more efficient alternatives, which will support 50,000 jobs.

The ambition to capture 10Mt of carbon dioxide a year by 2030 has been set out, by investing up to £1 billion in the establishment of Carbon Capture, Usage and Storage (CCUS) in four industrial clusters, including one in Wales. The details of a revenue mechanism will be brought forward in 2021 to bring through private sector investment into industrial carbon capture and hydrogen projects via new business models.

The Government intends to increase the proportion of biomethane in the gas grid to decarbonise gas supplies. It is anticipated that the Green Gas Support Scheme will deliver annual generation of 2.8TWh of renewable heat in 2030, the equivalent of the gas requirements of roughly 230,000 homes.

The Government will work in partnership with industry to evaluate hydrogen as an option for heating homes, and develop plans for a pilot hydrogen town before 2030. It will also be committing £122 million towards a new Heat Network Transformation Programme which is a system of insulated pipes that takes heat and cooling generated from a central source and distributes it to a number of domestic and non-domestic buildings.

Further commitments on transforming energy include raising total R&D investment to 2.4 per cent of GDP by 2027, targeting 40GW of offshore wind by 2030, growing the installation of electric heat pumps from 30,000 per year to 600,000 per year by 2028 and consulting on whether it is appropriate to end gas grid connections to new homes being built from 2025. (The Welsh Government consulted on proposals for all new homes to be heated and powered from clean energy sources from 2025 in its Stage 1 Building Regulations Part L consultation earlier this year).

### What does this mean for housing associations?

Energy is not a fully devolved matter however some of the Government proposals in the White Paper will impact Wales. The investment in clean



energy infrastructure and the rapid decarbonisation of the electricity grid will mean that homes powered by electricity will be decarbonised at a faster rate. The exploration of hydrogen and its learnings may interest housing associations as an option for heating homes. With heat pumps being the likely heating technology of choice for many landlords, the growing installation numbers across the UK can kick-start supply chains and potentially reduce costs.

### **Creating a Fair Deal for Consumers**

The UK Government has committed to extending the Energy Company Obligation (ECO) to 2026, which offers additional protections to the vulnerable and fuel poor. It will also expand the Warm Home Discount scheme (which provides financial assistance to those on low incomes through the winter months to pay for energy bills) to £475 million per year from 2022 to 2026.

On affordability, the Government has promised to work with Ofgem to take steps to help householders manage their bills. In April 2021, they will publish a call for evidence to begin a strategic dialogue between government, consumers, and industry on affordability and fairness. They will work across the sector to identify existing distortions in the system and take decisions on how energy costs can be allocated in a way which is fair and incentivises cost-effective decarbonisation.

The ambition remains to achieve market-wide roll-out of smart meters. Second generation smart meters – which are compatible with all energy suppliers, are being rolled out as standard across Great Britain, and the government is committed to exploring ways to encourage consumer uptake.

### What does this mean for housing associations?

The extension of the Warm Home Discount scheme is welcome news and will support householders who need financial support over the coming winters to heat their homes. ECO is a tool in which funding can be leveraged for decarbonisation works in Wales and therefore this extension is also welcomed. Affordability is at the heart of the work of housing associations, and so the proposal of Ofgem and the UK Government to help householders manage bills and incentivise cost-effective decarbonisation should ensure residents do not pay disproportionately for energy efficiency plans.

### **Decarbonising Homes**

The White Paper reminds us that emissions from homes and from commercial and public sector buildings account for 19 per cent of total UK greenhouse



gas emissions. Public awareness is low about the connection between climate change and how we heat homes. Research by BEIS suggests that the majority of the population has not heard of low-carbon heating technologies. The report does however show strong support for carbon reduction policies. Almost 90 per cent of respondents said it is important or very important that the UK makes full transition towards greener heating systems.

In November, the Prime Minister announced £1 billion for the decarbonisation of buildings through energy efficiency, which included the Social Housing Decarbonisation Fund.

In September, it launched the Energy Performance Certificates Action Plan, which set out a pathway to improve the EPC system. The Action Plan aims to help increase the energy efficiency of the building stock by exploring ways to increase the quality of EPCs, build consumer trust and increase engagement. It will support policies which strengthen regulatory compliance and ensure that the data infrastructure underpinning EPCs is fit for the future. It is anticipated that changes may be needed to the Energy Performance of Buildings (England and Wales) Regulations 2012 to deliver progress.

The Government has also made commitments on improving the energy performance of homes through the Future Homes Standard for example, however this is England-specific and does not apply to Wales.

### What does this mean for housing associations?

The decarbonisation of homes is a devolved matter in Wales, however Welsh housing associations are able to access the Social Housing Decarbonisation Fund where up to £3mn has been made available to Wales. Furthermore, any changes to the Energy Performance of Buildings Regulations will affect Wales. The [research](#) conducted by BEIS on public awareness of climate change can offer some insight to housing associations into the possible views of their tenants on climate change and decarbonisation.

### **Jobs and Skills**

The Government announced it will support 90,000 green jobs across the UK and up to 250,000 by 2030.

It has proposed developing a strategy for upskilling through the 'Green Jobs Taskforce' and a National Skills Fund in 2021. This will produce an action plan for net zero skills across a range of sectors with the goal of two million net zero jobs by 2030. The taskforce will pinpoint the skills needed now and over the long term. This action plan will be published in spring 2021.



The transition to clean energy is seen as a major opportunity to develop new skills across a range of industries, and ensure key sectors, such as construction, is fit for the future. It is stated that principally we will need more installers to retrofit existing buildings with energy efficiency and clean heat measures.

### What does this mean for housing associations?

We know that there is a skills shortage in Wales to deliver decarbonisation programmes, and therefore the UK Government's 'Green Jobs Taskforce' will support housing associations to identify what skills and jobs will be needed and how we can attract these here in Wales. Skills is a devolved area and so there will be an interaction here with Welsh Government policy.