Dr Stephen de Souza
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8 August 2007

Dear Stephen

Energy White Paper

In view of the work we are undertaking with Government on the objective that new homes should be built to a zero carbon performance standard from 2016, the HBF wishes to make a number of comments in response to the Energy White Paper published in May.

Importance of future energy supply issues

Discussions in the 2016 Task Force and that HBF has held with others have underlined the importance of future energy supply arrangements to the successful achievement of the zero carbon homes target.

Our general understanding is that while energy and carbon efficiency meeting the requirements of Levels 3 and 4 of the Code of for Sustainable Homes - the basis for proposed requirements under Part L of the Building Regulations in 2010 and 2013 respectively – can probably be achieved through improvements to the fabric of buildings and the incorporation of micro-generation equipment in the home, Code Level 6 – the 2016 standard – will generally require a residual external supply.

Looking further at the 2016 position, we also believe that in many cases the source of such an external energy supply is likely to be provided by a facility that serves more than the individual new development itself. This conclusion is supported in practice by the regulatory impact assessment published alongside the Government's final policy statement on "Building a Greener Future". The assessment indicates that there are both cost and technical efficiency reasons why new development – specific low or zero carbon energy supply solutions may not be the right answer to meeting residual energy supply requirements for the proposed 2016 performance standard.

Given this, the HBF considers that the future evolution of wider energy market rules and policy to promote renewables and low or zero carbon supplies of heat and power is critical to the success of efforts to achieve the 2016 performance standard for new homes and would wish the following points to be taken into consideration by Government.

Competition, energy security and fuel poverty

It is vital that those living or wishing to live in new homes should not be disadvantaged compared to other people in terms of the cost and other attributes of their residual energy supply. While these requirements may be less in terms of the volume of demand, there should be no perception that those living in new homes are obtaining a worse deal proportionately. Any such perception would be damaging to the twin objectives of increasing housing supply and improving its environmental standards.

The cost of residual supply and issues connected to normal consumer expectations about the ability to change supplier will certainly need to be looked at. Security of supply is also, however, an important longer-term requirement. For new build zero carbon schemes, security of supply would particularly mean providing assurance to people that the physical and commercial arrangements were in place to ensure that their residual energy supply needs would be met if local, dedicated low or zero carbon supply facilities failed for any reason. We would therefore wish to see this consumer requirement fully built in to future policy and regulatory thinking.

Fuel poverty may also need to be considered in the context of new low and zero carbon supply – particularly in distributed systems – since many new developments will comprise a mix of tenures and income levels.

Renewables banding

At this stage we have not had the opportunity to explore whether the idea of banding future arrangements for the Renewables Obligation might have implications for the zero carbon homes target.

As I understand it, the aim of banding the Obligation would be to help promote different types of renewable supply which face different levels of financial and technical challenge. While I can see that there may be wider energy market reasons for this approach, we would want to ensure that such a technology-specific policy focus did not create unintended adverse consequences for new housing supply.

So far as achieving the 2016 zero carbon standard through Building Regulations is concerned, we have always advocated a technology-neutral approach so that developers will be able to choose the most cost and technically efficient solutions on any given case. The question which could arise therefore is how a banded Renewables Obligation might affect the flexibility of choice required by residential developers. We would certainly wish to avoid a situation in which technically desirable solutions for new developments were frustrated or inhibited because overall market headroom in a particular band of the Obligation was tight.

This is a difficult issue to bottom out, but we would propose that particular thought is now given to whether the likely demand issues arsing from new residential development constitute a specific factor that needs to be allowed for in developing a new banded Renewables Obligation. I would be grateful for your thoughts on this issue.

Future development of the Carbon Emissions Reduction Target

In considering the implications and options for achieving the 2016 zero carbon homes target, we have been struck by the fact that local or distributed solutions will often be most technically and cost efficient if they serve a wider community than just a particular new housing development. Such a community facility would naturally involve demand from existing, often much less energy efficient homes, and possibly commercial and industrial users.

It is already clear to us that the technical and financial climate for such community solutions can be challenging. The opportunity to make a much larger impact on promoting energy efficiency and carbon reduction is, however, significant.

In this context we would like to see positive consideration given in looking at arrangements for CERT post 2011 to how this scheme could assist the achievement of new low or zero carbon community energy supplies. An appropriate element of financial assistance to such new energy facilities through CERT could help to make them easier and more viable to bring forward. In that case policy objectives for promoting energy efficiency in both new and existing homes could be materially advanced through an appropriate application of CERT policy.

I hope this is in principle an idea we could discuss further with you and others in Government and would be grateful for your thoughts on that.

Additionality of new and low zero carbon supply

Given that the final definition of zero carbon for Building Regulations purposes has yet to be determined, in part because of uncertainties about the best solutions, we would also wish to maintain dialogue with you and others about how any future policy approach could ensure the Government has assurance that additional energy supply capacity will come on stream to meet the requirements of new zero carbon residential developments.

Ultimately discussions of this issue will also need to feed in to wider thinking about how supply arrangements for new development fit into energy policy as a whole. Getting this relationship right will be important for the long term success of our shared housing supply objectives.

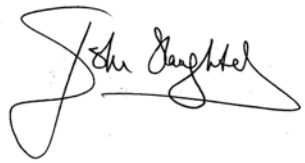
Conclusion

I hope these comments and suggestions are helpful.

We are encouraged by the increasing understanding of the links between housing supply and energy policy objectives that has emerged through the 2016 Task Force and this letter is aimed at making further progress in this direction.

I am copying this letter to Chloe Meacher at Communities and Local Government and to David Green at the UKBCSE.

Yours sincerely



John Slaughter
Director of External Affairs