

CONSULTATION RESPONSE



Greenhouse Gases Submission to DEFRA

May 2012

The Home Builders Federation (HBF) is the principal trade body for private sector home builders in England and Wales. Our members build about 80% of the new homes constructed each year and comprise businesses ranging from national, through regional to more locally-based companies.

Background

UK house builders have been proactively involved in efforts to tackle a range of environmental issues in recent years.

Most notably, working through HBF, they have been at the forefront of efforts to reduce carbon emissions from new homes. Since the end of 2006 the HBF has been working in collaboration with Government on the zero carbon homes policy. The objective of this policy is to further reduce emissions from new homes (which are already very energy efficient) by tightening building regulations progressively until a “zero carbon” performance standard is implemented from 2016 onward. Such enhanced building regulations requirements will constitute a major industry-wide commitment to tackling climate change and will apply to companies of all sizes. They will also entail significant additional construction costs – which will need to be offset by savings in regulatory costs in other areas under the Government’s commitment to reduce the overall impact of regulation on house building during the current parliament.

House builders are also involved in improving environmental outcomes in many other areas, including current important work to implement the Flood and Water Management Act 2010.

Views on the consultation proposals

Any form of additional regulatory reporting requirement for greenhouse gases needs to be judged on its merits and on the balance of costs and effort involved against the prospective benefits.

Particular care is needed in making such judgements in current circumstances given that it is a time of economic uncertainty and extreme fragility for many businesses.

Against this background, we feel that the reporting framework that is being proposed is neither sufficiently well developed nor well understood. Implementing such a framework

would pose a real problem for companies compiling their reports, but we think that it would also be questionable whether even sophisticated users of financial statements will derive any benefit from the reporting recommendations outlined in the consultation document. At the very least we think that more time would be required to come up with sound proposals that were both workable for companies and useful for other parties.

Proportionality is a further important consideration.

The need to consider proportionality is implicit in the options for mandatory reporting set out in the consultation document.

Our view is that given the lack of sufficient development in the reporting framework, current voluntary arrangements should continue until such time as the reporting of GHG matters can be implemented in a more considered fashion.

If the Government nevertheless considers that on balance it wishes to proceed with some element of mandatory reporting at this stage, this requirement should be limited to circumstances where there would appear to be most benefit, and where reporting requirements might most readily be implementable, rather than applying the rules to companies more generally.

We believe therefore that if the Government wishes to see an element of mandatory reporting this should be confined to those companies which are the greatest users of energy in particular. This would suggest that the only mandatory option that should be considered at present is option 4 – for all companies whose UK electricity consumption exceeds a threshold. In this connection, we agree that it would be logical to use the same qualification criteria as for the CRC.

For the house building sector, however, a further consideration is that the bulk of GHG emissions involved in the construction process are likely to arise in the industry's supply chain rather than at the point of construction. Any mandatory requirement for house builders to report on GHG emissions would therefore need to look to cover Scope 3 indirect emissions in some form.

Such a requirement would be extremely challenging and problematic for companies to comply with, but in the house building context, any requirement for reporting on Scope 3 emissions could also be less than helpful to the readers and analysts of reports. The house building sector is in fact very fragmented with many thousands of individual companies involved in the construction of new homes across the country. Even a comparatively limited number of house building companies being covered by new reporting requirements could lead to a confusing picture with each needing to make its own assessment of Scope 3 emissions – often from the same suppliers.

In addition, the house building industry's workforce is largely indirectly employed with very many contractors and sub-contractors involved – many of which are small firms or self-employed workers. This factor adds to our concern that it would be difficult to

envisage a general reporting requirement for the industry that would lead to meaningful information for public purposes. Any general reporting requirement could nevertheless create a significant administrative burden for companies.

We imagine similar considerations will apply to other parts of the construction sector and to other industries. They reinforce the case for further thought before any mandatory reporting requirements are introduced given the inherent complexity that may easily be entailed.

The lack of a clearly defined, effective and cost effective reporting framework would result in additional costs for companies that are inconsistent with the Government's "Plan for Growth". Such additional regulatory costs would also require the Government to find compensatory savings in other regulatory costs under the One In, One Out policy.

As we noted above, the economy is fragile and house building is perhaps one of the more fragile sectors. Now would not be the right time to add to industry regulation and costs for uncertain benefits generally. This consideration applies to the economy as a whole, but is doubly true for the house building industry given the major challenges it faces following its worst downturn in living memory, and the continuing collapse in mortgage lending which is significantly constraining its recovery.

We would finally note that the housebuilding industry has been promised that over the course of this parliament it will benefit from a reduction in the burden of regulation. For our sector therefore, any further reporting requirements require very careful thought as they need to be considered in the context of this Government commitment.

HBF

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