

Upfront costs biggest barrier to green home improvements

- New **Decarbonising the UK's Homes: Housing Stocktake Report** finds nearly half (49%) of UK homeowners are put off by high initial costs
- One in five UK homeowners can't afford to make changes
- However, homeowners who have invested have benefitted, with 96% pleased with results
- Report findings backed by renowned architect and television presenter George Clarke

Lloyds Banking Group, a leading UK based financial services group, has released the first **Housing Stocktake 2023** report sharing insights on the stalling efforts to decarbonise the UK's housing stock.

In the UK, homes are one of the highest emitting sectors, with the 28 million residential properties accounting for 16% of the UK's total carbon missions. The report reveals that while nearly six in ten (57%) homeowners think it's important to make their property 'net zero ready' by 2035, over two-thirds (69%) have not taken any action to make improvements in the last five years.

Ahead of COP28, the report reveals shortcomings across the sector and the challenges many homeowners face to make their homes net zero ready by 2035.

Costs of upgrades threatens progress

The **Housing Stocktake 2023** report reveals that cost is the biggest barrier for change for homeowners with just one in five (20%) homeowners able to pay for the steps needed to ensure their home is 'net zero ready' by 2035.

The findings highlight that nearly half (49%) of UK homeowners are put off by prohibitive high initial costs and believe that there is a lack of financial support available. Other barriers for change include not knowing where to start (27%) or the inconvenience and hassle of building work (22%).

Significant benefits for homeowners who have invested

However, homeowners who have been able to invest in their property are already seeing the benefits. Positively, nearly all UK homeowners (96%) who have made changes to make their homes more ecofriendly are pleased with the results and are strong advocates for others to invest.

Three quarters (73%) of homeowners who have undertaken retrofit work said their installation had performed at least as well as expected, with half (50%) stating the upgrades have performed even better than expected.

Encouragingly, over eight in ten (81%) would recommend retrofit works to friends or family, claiming the main benefits are their homes are now warmer (77%) and cheaper to run (64%).

Despite these findings, the report reveals that there is still a reluctance by many to make changes. One in four UK homeowners never expect to move away from oil or gas fired heating in their lifetime, and nearly half (46%) do not know the EPC rating of their property.

Recent policy changes likely to stall progress

Landlords demonstrate a much greater awareness of the ways to improve the energy efficiency of their rental properties.

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The report highlights that government legislation has meant that over eight in ten (84%) landlords have either considered or have taken action to improve energy efficiency of their properties in the last five years, including installing battery storage, solar panels or heat pumps. This is compared with just over a quarter (27%) of homeowners.

However, recent policy changes risk a halt in the progress landlords have made.

Following the Government's recent decision to stop plans requiring all rental properties to meet a minimum EPC rating of C by 2028, nearly over four in ten (42%) landlords have now cancelled plans to invest in energy efficiency measures.

Now over half (53%) of UK landlords say they are less likely to invest in energy efficient changes in the future.

Barriers to change

There is a clear appetite for more support from the banking sector, in terms of finance, knowledge and advice.

Seven in ten (68%) homeowners and nine in ten (87%) landlords want some form of support from their bank or mortgage provider to get their home net-zero ready.

For homeowners under the age of 35, nearly one third (30%) are specifically looking for their bank to provide them with advice on how to make the changes and which retrofit works would benefit their property the most.

Rebecca Heaton, Director of Environmental Sustainability at Lloyds Banking Group, said:

"As the UK's largest mortgage lender, we are concerned by the inadequate progress in decarbonising the UK's 28 million homes. The UK has the oldest and draughtiest housing stock in Europe and progress is off track. The lack of progress in decarbonising our homes risks pushing critical net zero goals - and keeping global warming within the 1.5°C threshold - further out of reach.

"Our report shows that UK homeowners are clearly experiencing benefits of retrofitting, like warmer homes and cheaper running costs, but they're in urgent need of more support. We are committed to finding a solution by working closely with the government, housebuilders and developers to provide UK households with more certainty and better tools and incentives to unlock the scale of retrofit at the pace we need."

Renowned architect and television presenter George Clarke, who has contributed to the *Housing Stocktake 2023* report, said:

"UK homeowners are increasingly eager to upgrade their property's heating and insulation. Despite this demand, today's data shows just how many feel ill-equipped to do so - whether through a lack of financial means, or access to key information. If COP28 can see the UK Government work together with banks and lenders on developing better support for households, there's a chance this could unleash a wave of retrofit activity taking place in the UK, making our homes better for the environment - and warmer and cheaper to run in the long term."

Support available

Through its brands, Lloyds Banking Group offers a range of support and financial incentives to customers. This includes the **Lloyds Bank Eco Home Energy Saving Tool**, developed in collaboration with Energy Saving Trust to enable homeowners to identify where energy efficiency improvements can be made, and the online **Lloyds Bank Green Housing Guide** which provides guidance on how to cut bills and emissions. Financial rewards are also available through the **Lloyds Bank Eco Home Reward**. When live, customers can claim £1000 cashback when installing an air-source heat pump.

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Lloyds Banking Group five policy measures:

Decarbonising homes is a core focus for Lloyd Banking Group as the UK's largest mortgage lender. The Group is advocating for five key policy measures that can drive forward the supply of decarbonised housing in the UK.

Long-term policy certainty on sustainable homes: The Government should establish a stable and long-term framework that provides certainty for energy efficiency and low carbon heating systems, ensuring that efforts toward retrofitting improvements are not derailed by short-term policy fluctuations.

Improvement of Energy Performance Certificates (EPCs): It is imperative to enhance the accuracy and timeliness of EPCs. Consumers need confidence that changes made to their homes for better energy efficiency will be accurately reflected in their EPC ratings, thereby leading to tangible reductions in energy consumption.

Energy-efficiency linked stamp duty: Introducing a system of stamp duty that rewards lower-carbon improvements can significantly motivate homeowners to invest in energy-efficient enhancements. This adjustment in the stamp duty regime can serve as a powerful incentive for prospective buyers to prioritize properties with environmentally features.

Use of employer tax incentives to encourage improvements: Removing existing tax barriers for employers and enabling schemes such as salary sacrifice or benefit in kind initiatives can encourage employees to retrofit their homes. This measure can serve as a crucial step in fostering a culture of sustainability within the workforce and the wider community.

Addressing the retrofit skills gap: Recognising the potential for job creation within the low-carbon technology sector, it is vital to prioritise the development of high-skilled jobs that cater to the demands of sustainable housing. Increasing the annual transfer cap in the Apprenticeship Levy can facilitate the necessary reskilling and retraining required to bridge the existing skills gap and support the widespread adoption of low-carbon technologies.

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Notes to Editor

Lloyds Banking Group partnerships

- In 2022, Lloyds Banking Group partnered with Octopus Energy to cut the cost of an air source heat pump installation. When used with the UK Government's Boiler Upgrade Scheme, the partnership and Green Living Reward could mean that for some homes a heat pump would cost less than a new gas boiler.
- In July 2023, Halifax launched a new solar panel consultation and installation offer with Effective Home, including free EPC assessment. Through Halifax's Green Living Hub, customers can access a virtual consultation to confirm their home's suitability for solar panels. A free, personalised solar plan is provided, outlining installation costs and estimated energy bill savings. Effective Home can arrange the installation and support customers with registering the panels for a free, insurance-backed guarantee.

Additional information

- The fieldwork for **Decarbonising the UK's Homes: Housing Stocktake Report** was conducted during 4-18 October by WPI Economics
- Two surveys were released:
 - The first polled 2001 owner-occupiers on knowledge attitudes towards retrofit and motivational factors. 252 landlords were polled separately on the same.
 - The second polled 502 homeowners and landlords who had undertaken retrofit activity to increase the energy efficiency of their home in the last 5 years.
- For further summaries and infographics follow @Lloydspic on Twitter.
- The term 'net zero ready', as defined in this bespoke research carried out by WPI Economics and Censuswide in October 2023 for our report, refers to a property with "EPC C with insulation, double glazing and heating from a low carbon source".

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