Energy Saving Stamp Duty Incentive

There is broad consensus on the requirement for net zero carbon emissions by 2050, and the Government has set itself a target of a 78% reduction in UK Greenhouse Gas emissions by 2035. However, over the last 6 years, emissions from buildings have increased, rather than fallen, with the heating and powering of the UK's 29 million homes accounting for 20% of UK carbon emissions.

Similarly, the UK's homes have been long recognised as some of the leakiest and most costly to heat in Europe - wasting vast amounts of heat. Significant increases in energy costs over the last 12 months have brought this into sharp focus.

It is recognised that the net zero homes challenge is both significant and complex. It must be delivered with the utmost efficiency.

- ⇒ **The scale** of delivery required is significant: approximately two low energy home retrofits are needed every minute, for the next 25 years.
- ⇒ **The total cost** is between £300bn and £500bn (circa £20bn per year), equivalent to 5 HS2s or 25 Crossrail projects. Whilst a huge cost, it is not so different to the increase in the. value of the UK's housing stock over the last 12 months: about £450bn or 9%

The answer isn't simply more grants but a blend of investment:

Whilst targeted subsidy programmes form a part of any net zero strategy, at this scale and cost, private finance will have to be deployed to deliver the majority of improvements. So how to stimulate such a significant level of private investment? A market-based approach is required which gives householders and home buyers choice and becomes part of the existing home improvement culture.

Structural-incentives provide flexible solutions and allow innovation:

Introduction of long-term 'structural-incentives', such as Stamp Duty, would create the market conditions to create a thriving energy efficiency market. Whereas the short-term nature of past grant schemes, operating in isolation, has resulted in a 'boom-bust' market and failed to leverage significant private finance, a structural driver would overcome this. Further, as **a structural driver need not be a burden on the Treasury** it can reasonably be expected to remain in place as, and when, administrations change providing the long-term demand so essential for success and lowest overall costs.

Structural-incentives and subsidy working together:

An Energy Saving Stamp Duty Incentive, combined with grants for lower value homes, would be a workable and effective structural solution, working seamlessly with existing green finance arrangements and policies as well as driving innovative new approaches to delivering home upgrades.

How would the Energy Saving Stamp Duty Incentive work?

- ⇒ First, the energy demand of the home is calculated from the independently produced Energy Performance Certificate (already a requirement of a house sale).
- ⇒ The Stamp Duty to be paid is then adjusted up or down based on the home's calculated energy demand - the better the energy performance, the lower the stamp duty paid.
- ⇒ If the purchaser undertakes low energy improvements within 2 years, and obtains an updated EPC, a Stamp Duty rebate would be paid as if the improvement had been made before purchase;
- ⇒ The government could increase the value of the rebate paid to lower value homes to help subsidise the costs of the installed energy performance measures.
- ⇒ Any recognised improvement in a home's energy efficiency would reduce the Stamp Duty paid.

Key benefits of the Energy Saving Stamp Duty Incentive:

- ✓ Provides confidence that a home's energy performance will be reflected in its selling price;
- ✓ Encourages homebuyers to seek advice, determine the potential energy improvements to a home, understand the costs and develop a plan at the time of purchase –alongside other renovation plans;
- ✓ Embeds necessary improvements to a home's energy performance in the wider discussion about financing the purchase together with any other improvements the homebuyer may be considering;
- ✓ Recognises most homeowners undertake significant improvement works shortly after they move in – combining these with energy improvements reduces the faff, time and disruption;
- ✓ Rewards homebuyers that improve the energy performance of their homes;
- ✓ It 'nudges' homebuyers to take action on energy efficiency in a way that is proportionate to the home's value, and doesn't impede housing sales, affordability or social mobility;
- ✓ Is not a subsidy. The Stamp Duty Incentive itself would be revenue neutral for government – i.e. stamp duty rises are off-set by stamp duty reductions. However, it is capable of being blended with grant funding for those that are struggling;
- ✓ Helps establish a stable home retrofit market creating a sustainable supply chain, jobs, and skills;
- ✓ Reduces home energy use and carbon emissions, making a major contribution to national policies on net zero, energy security, and Levelling Up;
- ✓ If running for 8 years or more, could see over 2 million poor performing homes upgraded to a decent level.

If the government made an announcement or **statement of intent** now, with implementation in 18 months to 2 years, homeowners considering selling would have time to act, should they wish, and businesses and government would have the time to prepare. Introducing the policy in this way would smooth roll-out and allow companies to ramp-up capacity and delivery – ensuring a quality retrofit programme for all, in the knowledge there is market demand at the end.

Organisations supporting an Energy Saving Stamp Duty include:

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