

Carl Sargeant AC / AM  
Y Gweinidog Cyfoeth Naturiol  
Minister for Natural Resources



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref

Rt Hon Edward Davey MP  
Secretary of State  
Department of Energy & Climate  
Change  
3 Whitehall Place  
London  
SW1A 2AW

18 December 2014

Dear Edward

**Private Rented Sector Energy Efficiency Regulations (Domestic) (England and Wales)**

Thank you for your letter of 10 November addressed to the Rt Hon Carwyn Jones AM, First Minister, regarding your plans to lay regulations for energy efficiency standards in the domestic and non-domestic private rented sectors in England and Wales. I am responding, as energy efficiency and fuel poverty sits within my ministerial portfolio.

The Welsh Government welcomes action to regulate energy efficiency standards in the private rented sector, but we are concerned that your proposals for the domestic sector lack ambition and do not address the particular needs of low income and vulnerable households in Wales. In addition, we are concerned that if the proposals are implemented in Wales there is a risk that they will create confusion amongst landlords and tenants, which could significantly reduce the effectiveness of Welsh Government legislation (e.g. Part 1 of the Housing (Wales) Act 2014); such confusion could also lead to a high risk of failure of DECC's own policy.

My officials have been in discussion with DECC colleagues on the proposals and have raised particular concerns over the fact that a landlord is not required to consent to making relevant energy efficiency improvements unless the improvements can be paid for in full through the Green Deal, the Energy Companies Obligation (ECO), a grant, the tenant's own funding, or a combination of these sources. It is accepted by all sectors that the Green Deal is not a solution for the poorest households and your own government's policies have reduced the value of ECO to the extent that full funding is rarely available for any improvements. Grant funding is currently available for eligible householders in Wales through our demand-led fuel poverty scheme, Nest; but a similar scheme does not exist in England, and low income households do not have the means to fund improvements in part or in full. Given this position, I am keen to know on what basis you have concluded that the proposals will be effective in delivering energy efficiency improvements to low income households in the private rented sector?

The Energy Act 2011 refers to relevant energy efficiency improvements being those that can be funded through the Green Deal, energy supplier obligations, a combination of the two, or "*such other description or financial arrangement as the regulations provide.*" The Act/the Energy Act 2011 therefore provides the opportunity to drive the development of new, more innovative financial arrangements that would enable real change to be delivered to low income households in the private rented sector. We are disappointed that you have instead chosen to place the full burden of cost on tenants, regardless of their ability to pay, and to restrict other "financial arrangements" to grant funding and the tenant's own funding. This is a real missed opportunity, and one that will impact adversely on low income tenants across England and Wales.

Your letter refers to the regulations encouraging co-investment by tenants and landlords, but it is not clear what incentive there is for landlords to invest in energy improvements if they can seek an exemption and continue to rent a property that is below the minimum standard after 1 April 2018. I would be interested to learn more about the evidence you have collected in support of the position that the regulations will encourage co-investment.

We are considering what additional options are available to help fund energy efficiency improvements in the domestic private rented sector in Wales and my officials have asked that consideration be given to including an option in the draft regulations for a loan facility that could include loans repayable by landlords. DECC officials have since confirmed that they will not include this option, as the UK Government is committed to including only those options that place no upfront or net cost on the landlord. This is disappointing, particularly in light of your Government's response to the consultation, which highlights that there was wide concern around the "*lack of options available to tenants, the complexity and limited availability for funding options for low income and fuel poor households, and difficulties in qualifying for any support*", and given also that the majority of respondents who expressed a view on the question agreed that additional funding options should be available to tenants.

If the UK Government is not prepared to take on board the views of Welsh Government or respondents to the consultation that additional funding options are required, then we would strongly recommend that you look at replacing the Green Deal and Green Deal Finance, which have consistently failed to drive improvements in domestic energy efficiency, with a new funding mechanism that will deliver for low income households. We would also recommend that the UK Government consults closely with the Welsh Government on the design of any energy supplier obligation, post 2017, to ensure that it will support low income householders in the private rented sector to improve the energy efficiency of their homes.

The Welsh Government will continue to support low income households through our energy efficiency programme, which includes the Nest scheme, Arbed area-based projects and work to leverage ECO into Wales. Last year, our investment delivered improvements to 9,100 homes of households on low incomes or living in the most disadvantaged areas of Wales. These improvements are estimated to deliver average energy bill savings of over £475 per household per year, making a real difference to households who are struggling keep their homes warm at an affordable cost.

My officials will continue to work collaboratively with colleagues in DECC on the draft regulations, including the increase in local authority burdens, which you refer to in your letter.

I am copying this letter to the Secretary of State for Wales.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a vertical line.

**Carl Sargeant AC / AM**  
Y Gweinidog Cyfoeth Naturiol  
Minister for Natural Resources

cc Secretary of State for Wales  
Minister for Communities and Tackling Poverty