



Greening the Private Rental Sector

Renters Report 2023

Contents

- 03** Executive Summary
- 06** Introduction
- 08** Methodology
- 09** The current landscape
- 14** Private landlord's attitudes to greening rental properties
- 27** Policy landscape and recommendations
- 38** Conclusion
- 39** References

Executive Summary

The energy crisis has brought into stark focus how energy inefficient and fossil fuel-reliant Britain's housing stock is.

Our homes lose heat three times as quickly as our European neighbours and account for around 16% of the UK's total greenhouse gas emissions. The public and political salience of low-carbon heating solutions and energy efficiency upgrades has grown, with the government and Opposition committing billions of pounds to energy efficiency schemes in the past two years. While there appeared to be cross-party consensus on the need to green the UK's housing stock, recent Government policy announcements demonstrate waning support from the Conservative party. In September, Prime Minister Rishi Sunak shelved long-anticipated changes to energy efficiency regulations for the private rental sector and delayed proposed phase-out dates for gas-powered heating, claiming that it would place an unfair and unacceptable financial burden on homeowners and renters.¹

Thus far, schemes to support the decarbonisation and insulation of homes have largely focused on low-income homeowners and the social rented sector. Meanwhile, notably, an important segment of the housing market has been left out of policy discussion and research: the private rental sector. The sector makes up around 19% (4.6 million) of all English households. The share of renters has nearly doubled since the early 2000s and is projected to continue to grow.²

Action is needed. As it stands, nearly two-thirds of private rented homes require energy efficiency

improvements, and the sector has lower rates of low-carbon heating and smart technology installations than owner-occupied and social rented homes.³ Our research found that landlords' appetite to install green measures in the next five years is low. This is despite 81% of landlords believing further improvements are required for their property to be more environmentally friendly. This should serve as a 'warning light' that policy to date is not successfully capturing the private rental sector.

Greening the rental sector brings with it a myriad of benefits for tenants and landlords, from cheaper bills and warmer homes for tenants, to adding a green premium to landlords' rental and property value. And failure to act risks an 'unjust' transition - renters living in cold, draughty homes, locked out of the electric vehicle market and paying taxes to support government schemes to green other people's homes without reaping the benefits themselves.

Government has not set out a coherent net zero pathway for the private rental sector, leaving landlords and the retrofit supply chain ill-prepared for the fast-approaching net zero 2050 goal. Delaying action does not delay the cost of transitioning Britain's homes - it simply shifts the responsibility of those costs away from landlords towards tenants and puts our net zero goal in jeopardy.



Homes contribute around 16% of UK's greenhouse gas emissions.



02 Landlords are unconvinced of the benefit to property or rental value.

The financial return on improvements is a strong motivator for landlords, yet our poll finds that landlords are unconvinced that environmental improvements will bring about an increase in property or rental value. This is particularly the case for low-carbon technologies. Over half (54%) of landlords think environmental improvements tend not to be worth the costs, and one in five landlords (21%) report they do not know.

04 Reluctance to use private finance.

Landlords have a strong preference for using personal savings or income to make upgrades rather than private finance, which may explain why they report cost barriers. When specifically asked if they would consider a private finance option to fund environmental improvements in their home, 29% of landlords stated they would definitely not consider this, and only 7% said that they definitely would.

Key Insights include:

01 Landlords lack knowledge of their EPC ratings and available financial support.

Nearly half of the 508 landlords surveyed (44%) didn't know their EPC rating, and of those with a property rating below EPC C, 88% had not received a quote for how much it would cost to bring the home to EPC C. Landlords also have a low understanding of the government grants available to them, with over half (52%) stating that they do not know enough about them.

03 Landlords don't expect tenants to pay, but a third think tenants should help organise and oversee the installation.

Landlords do not think it is the tenant's responsibility to pay for environmental improvements, and either think this is the landlords responsibility alone (31%) or shared between the landlord and government (28%). But, there are mixed opinions on whether the tenant has any responsibility for organising and overseeing installation, with a third of landlords expecting the tenant to have a shared responsibility (33%), and over half (51%) that the tenant should not be involved at all.





The stop-start nature of energy efficiency policy must end. Landlords and the retrofit supply chain must have certainty over what is required of them, by when, and with supporting policies tailored to the unique split incentives of the private rental sector.

Greening the private rental sector requires strong political leadership. This report recommends that policymakers commit to a clear, legally binding regulatory roadmap without further delay that includes legislation for minimum EPC ratings, boiler phase-out dates and smart meter installation.



81% of landlords

believe that further improvements are required for their property to be more environmentally friendly.

To support the sector in meeting this regulatory roadmap, our key recommendations for policymakers are:

- Introduce a Green Upgrade Relief which allows landlords to deduct green improvements from their annual income;
- Introduce government-kitemarked loan terms for private lenders to offer low and no interest loans partially funded by the UK Infrastructure Bank;
- Launch a one-stop shop advice and guidance service from Energy Saving Trust modelled upon Scotland's Home Energy service;
- Start the data-gathering process to implement Building Passports for individual properties;
- Update the Renters Reform Bill so landlords cannot reasonably refuse smart meter installation, to strengthen renters' rights and awareness of rights.

Introduction

Meeting the UK's goals for net zero will depend on decarbonising its housing stock, which comprises 16% of the country's total greenhouse gas emissions.

This is no small task - there is a significant cost to upgrading millions of homes, both in terms of finance and disruption, and hundreds of thousands of professionals will be involved in this process. However, there are many economic, social, and environmental benefits - from cheaper energy bills to lower carbon emissions and better health outcomes from well-insulated homes. Evidence also indicates that house prices are beginning to reflect a 'green premium'.⁴

The challenge of decarbonising homes has gained salience amongst politicians and the public in the wake of the energy crisis. Following pressure to lower fuel bills for

consumers during the energy crisis, this year the Government has pledged £1.8bn in England as part of its wider £6.6bn package of investment in energy efficiency this parliament. Labour's Warm Homes Plan also pledges to commit up to £6bn every year for 10 years in grants and loans to upgrade energy efficiency. In addition to this, a record number of solar panels and heat pump installations have been reported in June 2023, as households look to lower their energy bills.⁵ However, at the current pace, the Government is set to miss its own heat pump targets, achieving just 6% of the targeted 600,000 to be installed per year by 2028.

Private landlords have a significant role to play in the net zero transition. Limited research has been conducted on the barriers and attitudes of landlords towards greening their rental properties beyond just insulation. This report aims to fill that gap with new public opinion insights from private landlords on a range of energy efficiency and low-carbon technologies, and recommendations for pragmatic policy solutions.

The cost-of-living crisis has added further pressure to the private rented sector. Landlords face high interest rates on their mortgages while a tight rental market, notably in the country's capital city, is pushing up rents. This makes the split-incentive case between renters and landlords even more fraught and adds political pressure to any policy decision that could be seen to worsen the situation.

But whilst both political prominence and consumer motivation for greening homes have increased, this has yet to be reflected in updated regulation for the private rental sector. Though the government has long-trailed plans to introduce minimum efficiency standards for the private rented sector, the Prime Minister's speech in late September put an end to what had been seen as inevitable by the sector – stating that government will not pass regulation for landlords to meet EPC C at all, and removing existing regulation. The Prime Minister also stated that homeowners will now only need to switch out broken boilers for low carbon alternatives after 2035:

Failure to green the private rented sector puts net zero targets at risk. The rental sector comprises a notable share of the housing market, at around 20% of all UK households. The size of the sector has nearly doubled since the early 2000s, and although this growth has slowed, research indicates it is projected to continue to grow over the next 15 years.⁶

The sector has significant greening potential. Nearly two-thirds of private rented homes require energy efficiency improvements, while the sector has lower rates of low-carbon heating and smart technology installations than owner-occupied and social rented homes.⁷

Landlords face split incentives to invest. Long-term energy bill savings are often a strong incentive for owner-occupiers to meet the upfront costs of green upgrades. This relationship is less direct in the private rented sector with tenants often paying for bills.

To date, policy has largely focused on low-income households and the social rented sector.



It should be the consumer that makes that choice, not government forcing you to do it... under current plans, some property owners would've been forced to make expensive upgrades in just two years' time. For a semi-detached house in Salisbury, you could be looking at a bill of £8,000. And even if you're only renting, you'll more than likely see some of that passed on in higher rents. That's just wrong. So those plans will be scrapped, and while we will continue to subsidise energy efficiency - we'll never force any household to do it.”⁸

Rishi Sunak

The Prime Minister's policy changes are clearly motivated by a sense of fairness, given that he sees the burden of the cost-of-living crisis and inflated mortgage interest rates, on top of regulation by government on homeowners, as an “unacceptable cost on hard-pressed British families.”⁹ However, a failure to act risks net zero targets being missed and renters being left behind, undermining a just transition. This report considers the policy steps that should be considered to make progress in the sector, rather than to delay it.



Methodology

Centrica commissioned Public First to undertake this research project.

The report explores landlords' attitudes towards and barriers to installing energy efficiency and low carbon technology in their rental properties, and what policy solutions there may be to incentivise their uptake.

The key element to this was a poll of 508 landlords of privately-rented properties in the UK, which was undertaken in the period 28th July to 2nd August 2023. Given sampling and recruitment limitations associated with landlords as a population group, this sample was unweighted.

When this report refers to 'green upgrades' to homes, it mean installations of low carbon technology (for example heat pumps, hydrogen-ready boilers, solar panels, and EV chargepoints) and energy efficiency measures (for example, wall, loft and window insulation and smart meters) that reduce property energy demand and carbon emissions.

508
landlords
surveyed

The private rented sector

has significant potential to improve its energy efficiency and use of low-carbon technologies to deliver economic, social, and health benefits.

The Current Landscape

Currently, nearly two-thirds (62%) of English and Welsh homes in the sector do not reach a moderate level of energy efficiency, equivalent to 2.4 million properties in the UK.¹⁰ This is measured through an Energy Performance Certificate rating of A-G where A is the best, G the worst, and a rating of C is considered moderately efficient. While the owner-occupied sector has a higher proportion of homes rated below EPC C (69%), the private rented sector comprises the greatest share of properties with the lowest ratings (E, F or G).¹¹ Poor energy efficiency, alongside low income, is a contributor to fuel poverty. While the private rented sector has the highest proportion of fuel poor households (24%) compared to other tenures, this is largely driven by the low income of households in the sector.¹²

The private rented sector has seen some progress. Minimum energy efficiency standards (MEES) introduced in 2015 came into effect in 2018, requiring properties to meet at least EPC E to be rented out. This has seemingly had an overall positive impact on the sector. Since 2018, the proportion of homes rated EPC C in the English private rented sector increased by 12 percentage points from 33% to 45%.

The sector has seen less progress in terms of low-carbon heating and smart technology. Of homes that have a heat pump, 74% were owner-occupied while the percentage in privately rented homes was too small to report.¹³ As well as this, smart meter uptake in private rented homes is notably low (28%), at almost three quarters the rate of owner-occupied homes (40%).¹⁴

There are many benefits to greening private rented homes beyond the carbon savings from better

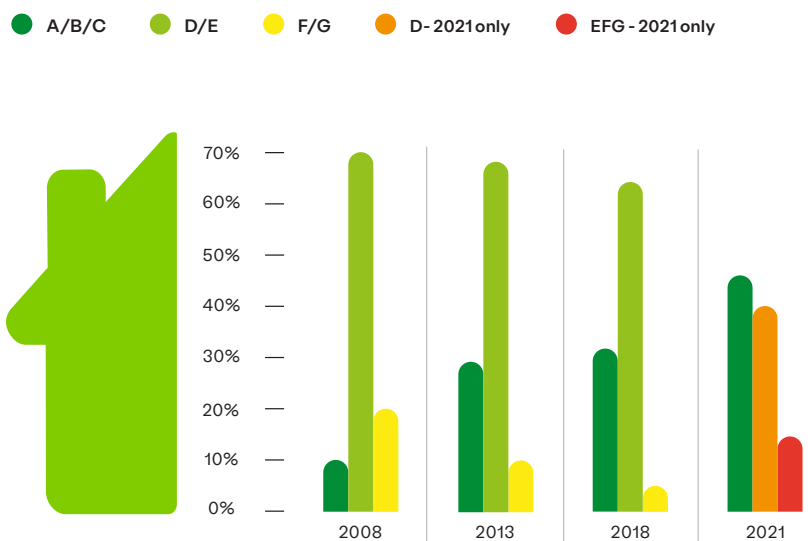
insulation and low-carbon heating. Some of these benefits more directly favour tenants. Government analysis finds that upgrading all rental properties to an EPC C would save renters an average of £285 on their annual energy bill.¹⁵ There are also associated health benefits from improved thermal comfort. An impact assessment from 2018 on minimum energy efficiency standards in the private rented sector estimated that the regulation could bring about a total of £29m (2017 prices) in health benefits up to 2059.¹⁶

Indeed, much of the existing research focuses on the split-incentives in the sector, whereby landlords pay for green improvements while tenants see the benefits. The average cost to upgrade private rented homes to an EPC C is £7,430 - this is measured through the EPC's headline rating, the Energy Efficiency Rating (EER).¹⁷ However, evidence is beginning to show that these investments see financial returns for homeowners

too. Analysis from Knight Frank finds that homes which had moved from an EPC rating of D to C added an additional 3% to their value over and above local house price growth – this is equivalent to just over £9,000 in additional value based on the average resale value.¹⁸ Their analysis shows that moving from band E to C saw an uplift of nearly 9% or an equivalent to over £29,000.¹⁹ Individual green technologies are also achieving green premiums. Research carried out by the WWF shows that a heat pump could add 1.7%-3% (£4,500-£8,000) to the value of a home. An EV charge point could add 2%-2.75% (£5,400-£7,400) and solar panels a 0.5-2% (£1,350-£5,400) increase.²⁰ A key question in our research, however, is whether landlords themselves think green improvements will only benefit the tenant, or do they think there is a benefit, a green premium, for them?

EPC ratings in English private rented sector, 2008-2021

Source: English Housing Survey 2018, English Housing Survey, 2021. Note: Data for 2021 is broken down in different categories, with ratings grouped by "D" or "E,F,G".



Key characteristics: landlords and tenants

Before launching into our analysis of the barriers and incentives for landlords to green their properties, it is important to first understand its key factors - who tends to be a landlord and who tends to be a tenant? And what do they care about? The analysis is based on publicly available data, such as from the Government's English Housing Survey and the English Private Landlord Survey, to build a picture of the characteristics of landlords. This is then compared with Centrica's poll findings to identify comparable demographics and draw out conclusions on landlords' perceptions and attitudes.

Landlords tend to be in their late fifties and have a small portfolio of only a few properties. Around half have a mortgage, and they see their role as an investor for rental income returns. Their rental income is around £17,000 a year and they don't rely on it as their only source of income.²¹

On the other hand, tenants tend to be younger (below 45 years old) and probably have a full-time job. Whereas landlords tend to be wealthier (in the highest quintile), tenants are in the middle-income bracket.²² Renters are broadly happy with their landlord and their current property but frustrated with the status of being a renter and the associated lack of autonomy. They care most about the cost and size of the rental property, and energy efficiency is not a top concern.²³

As investors, owners, and managers of private rented properties, landlords play a significant role in the transition to greener buildings. There are 2.74 million unincorporated landlords in the UK across 5 million privately rented households, and the majority of landlords are individuals (94%) rather than a company.²⁴



Landlords

Portfolio size

Whilst the majority (82%) of landlords are characterised by small portfolios (less than five), nearly half of tenancies (48%) are rented by landlords with five or more properties. Centrica's poll comprised 71% of landlords with one property and a further 25% with two to four properties.²⁵ A tiny minority (4%) owned over five properties in their portfolio. The poll also found that the majority (63%) of landlords plan to keep their portfolio the same size over the next 12 months while nearly one in five (17%) said they plan to sell property.

Median income & property value

In 2021, private landlords' median gross non-rental income was £24,000/year and their median gross rental income was £17,200/year. The median property value in the same year was £410,000.³⁰ Centrica polling found that just 7% of landlords rely on rental income as their sole source of income, with 17% saying it is their main source of income. Landlords in the North are most likely to say that rental income is not their main source of income.

Motivation

The biggest motivation for becoming a landlord is for investment purposes, with their role viewed as an investor.²⁸ Centrica's poll found that landlords were slightly more likely to view the investment in terms of rental income returns (42%) than capital gains from property value growth (34%).

Profit margin

20% of landlords polled by Centrica stated that the property(ies) they let out only cover their costs and do not make them a profit. 72% stated that they do make a profit. The landlords least likely to make a profit were based in the Midlands.

Funding

Over half (57%) have buy-to-let mortgages while over a third (38%) had no debt.²⁹ However, in Centrica's poll of 508 landlords, they skewed towards outright owners: 61% owned their property outright and 26% had a mortgage. Whether they did or didn't have a mortgage significantly affected their ability to afford large surprise purchases and if they thought the government was providing enough support to landlords. For example, mortgage-holding landlords were over 10% more likely to strongly agree that 'there is not enough financial support for landlords to make energy efficiency upgrades and decarbonise their property,' compared to those that owned their property outright (36% vs 25%).

Demographics

Landlords tend to be in older age bands with a median age of 58 and over a third retired.²⁶ This was consistent with Centrica's polling. Unsurprisingly, owner-occupiers, those who own their property outright, are more likely to be over 65, while mortgage-holding owner-occupiers tend to be younger (aged 35-54).²⁷ Centrica's polling found that the regional spread of landlords and rental properties are nearly identical - landlords and rental properties are largely (38%) concentrated in the southern regions (East of England, South East and South West, excluding London). Around one in five (20%) reported being in the North (Yorkshire and Humber, North East, and North West) or the Midlands (West Midlands and East Midlands) (17%). Just 15% reported being in London, and the devolved nations had a small sample size.



Tenants

Private renters tend to be younger than owner occupiers, with 65% of renters under the age of 45 compared to a quarter of owner occupiers and a third of social renters. Renters also are most likely to be in full time work (66%) and most likely to be middle income, compared to owner occupiers, who are most likely to be in the highest income band, and social renters, who are most likely to be in the lower band.³¹

Evidence on tenants' preferences for green upgrades is more limited. Existing literature shows that over half (52%) of renters dislike being unable to make energy efficiency improvements to their homes, rising to three in five (60%) among parents.³² However, the same research from the Social Market Foundation found that just 11% of renters stated that double glazing was a priority when choosing a rental property - monthly cost and property size were instead considered as top priorities.³³ Importantly though, the polling fieldwork for the Social Market Foundation's report took place prior to the energy crisis. Market insights since then indicate that renters' preferences may have changed. A 2023 report from MRI Software found that 'green credentials' offered by the property or landlord are important to 70% of renters and nearly half consider green practices (or lack thereof) to be a deal breaker when choosing a property.³⁴



Greening rental properties

This chapter explores what the key barriers and motivators are for landlords to make green upgrades, and delves into greater detail on the acceptance of private finance options.

Private Landlord's Attitudes



While cost is a key barrier, perception of benefit and lack of knowledge also make landlords less likely to make green upgrades.

Landlords are concerned about the environment and think the UK Government and public generally are taking too little action to address climate change (56%). However, they remain unconvinced of the benefit to property and rental value of making these environmental improvements, and think that tenants don't find these improvements attractive. Their preference for using personal savings or income, and extreme reluctance to use private finance options, may explain why they report cost barriers.

What improvements do landlords make and want to make in future?

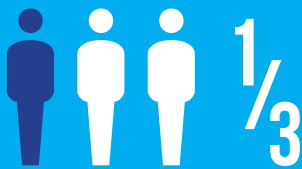
There is much focus, including in this report, on the action that still needs to be taken to improve the carbon footprint of private rental homes. First, it is important to understand what changes landlords may have already made and intend to make in the near future.

(79%) and loft insulation (61%), only 5% had installed an electric vehicle charge point and only 4% solar panels or a heat pump. However, these installations were not recent - for almost a third of landlords (31%) the last installation took place at least three years ago, and only 14% had installed their most recent product within the last year. When asked which product was most recently installed, energy efficiency measures were most popular, with smart meter the most installed (26%) followed by double glazed windows (20%).

Our polling found that there is a strong preference for energy efficiency upgrades, such as loft insulation, over low-carbon technology. Whereas the vast majority of landlords had installed double glazed windows



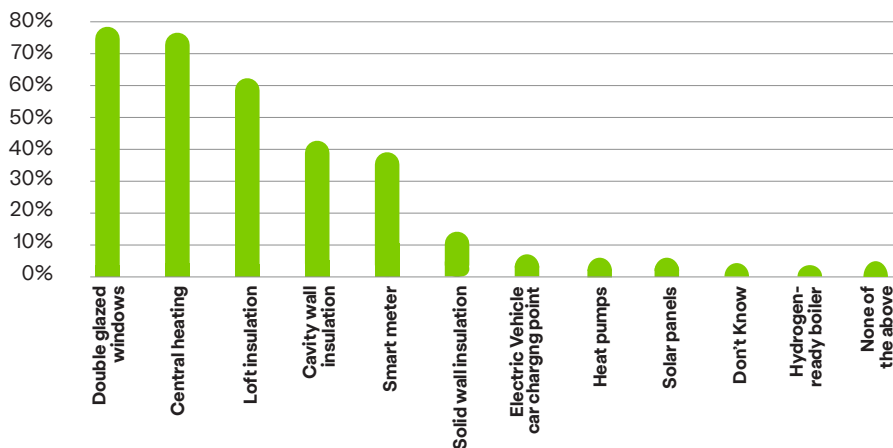
Smart meter's are **the most popular** in energy efficient measures



1/3 of landlords last installation happened over 3 years ago

Green products reportedly installed to date in UK private rented homes

Survey question: "Which of the following, if any, are installed in the property you let out? If you let out multiple properties, please answer again for the property you have let out most recently located in the UK. Select all which apply."



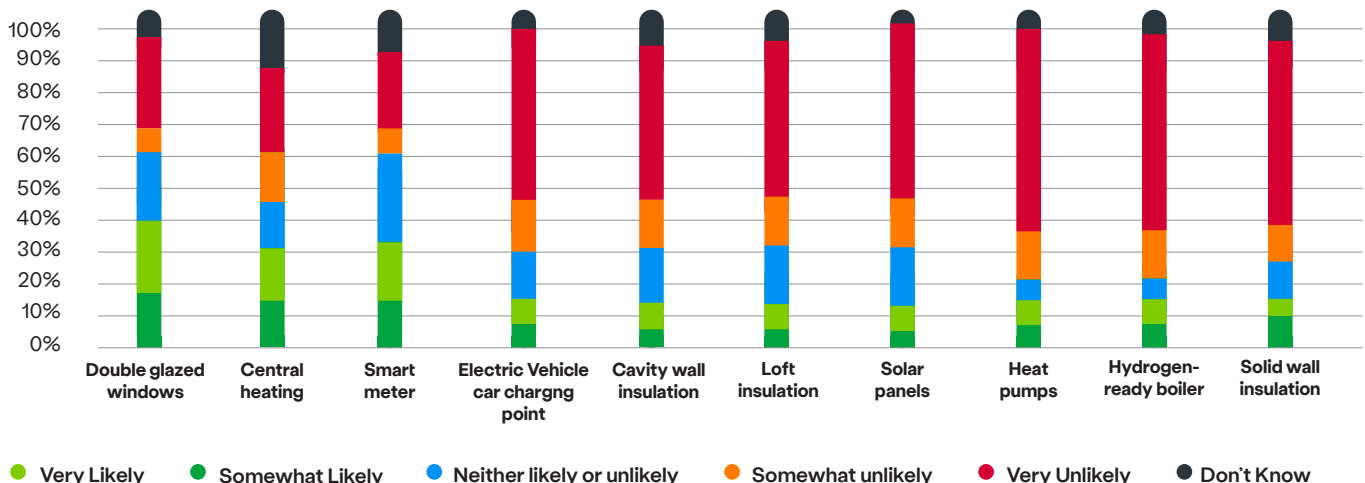
Looking ahead over the next five years, overall appetite to install green measures is low - at its highest just over a third (37%) of private landlords said they would install an energy or carbon saving measure. Again, the highest preference is for double glazed windows (37%) and central heating (27%). The rate of uptake for key low-carbon heating technologies (heat pump or hydrogen-ready boiler) remains critically low, with less than one in ten landlords saying they are likely to install it in the next five years.

only 13%
of landlords admit their property is environmentally friendly

This stands in contrast to the proportion of landlords who believe further improvements are required to make their property more environmentally friendly (81%). Just 13% of landlords polled reported that their property is as environmentally friendly as it could be and required no further improvements.

Likelihood of landlords installing green products in the next five years, by product

Survey question: "How likely or unlikely is it that you will install the following in your rental property in the next 5 years? If you let out multiple properties, please answer again for the property that you let most recently"



13% of landlords would prefer to refit the bathroom.

However, when landlords were asked to choose which improvement they would personally most like to make to their rental property, cosmetic improvements were more popular than green improvements. Landlords would prefer to refit the kitchen (29%), refit the bathroom (13%), or paint the interior walls (11%), compared to energy efficiency or low carbon technologies, which fewer than one in 10 landlords chose.

29% of landlords would prefer to refit the kitchen.



Motivations for making improvements

When it comes to general improvements, landlords are most motivated to make changes that will see a financial return. This is largely for two main reasons: a) to increase resale value (35%) or rental income (33%) or b) to avoid incurring further financial costs in future from repairs (30%). While landlords consider tenant satisfaction to be important (with 27% of landlords stating making improvements to their property was motivated by wanting to make the property a more pleasant place for tenants to

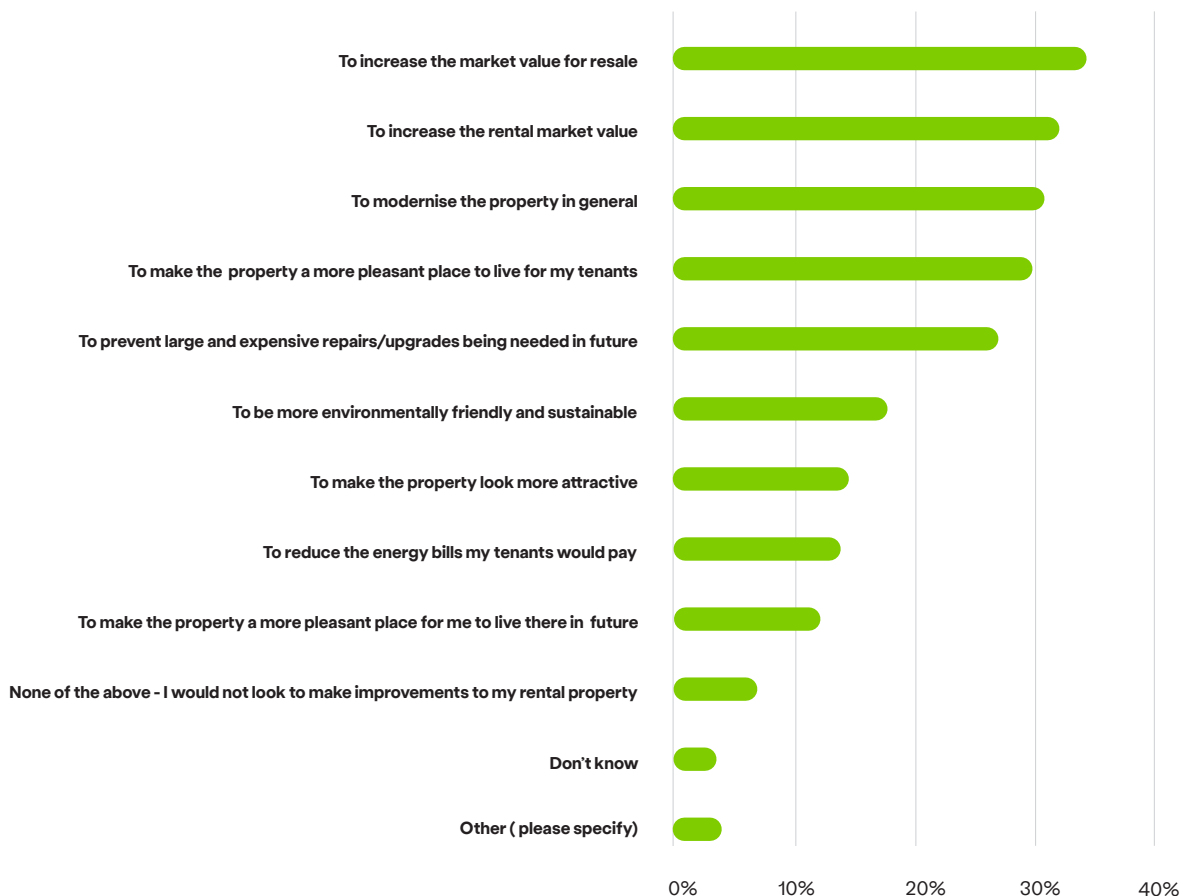
live), whether they said this appears to be tied to the recent link between tenant satisfaction, demand and higher financial returns. Interestingly, environmental reasons rank low down at 23%, and reducing tenants' bills ranks even lower, with just 13% of landlords selecting it as a motivation for making property improvements.

By comparison, among those who are likely to make green improvements in the next five years (i.e. energy efficiency or low-carbon

technology upgrades), motivations differ slightly more than with general improvements. While financial returns and tenant demand are important drivers for green upgrades, lowering energy bills is also a key motivator for the over a third of landlords that are likely to make these changes. Notably, some landlords are also motivated by the prospect of government legislation. This was reported as slightly more salient (29%) for low-carbon technologies than energy efficiency measures (23%).

Motivation for making general improvements to rental properties

Survey question: In general, what are the main reasons you would look to make improvements to your rental property
Select up to three of the following.

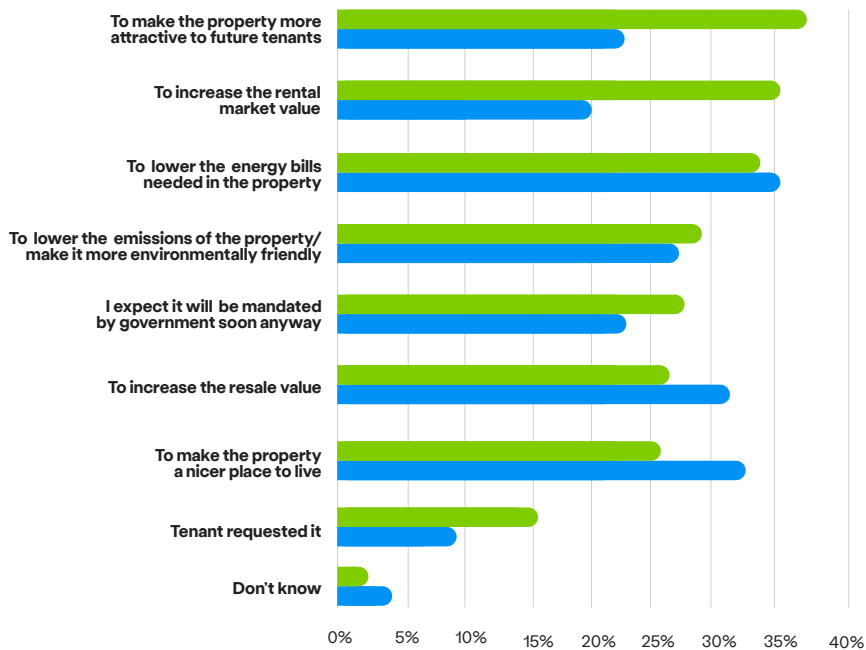




Motivation for making green improvements to rental properties, by technology type

Survey question: "You said you are likely to install [X] in the next five years. Which of the following best explains why you are likely to have this installed? Select all that apply." This question was asked twice with X = 1. "low-carbon technology (heat pump, hydrogen-ready boiler, electric vehicle car charging point, solar panels)" and 2. energy efficiency (double-glazed windows, insulation, smart meter).

- Low carbon technology
- Energy-efficiency





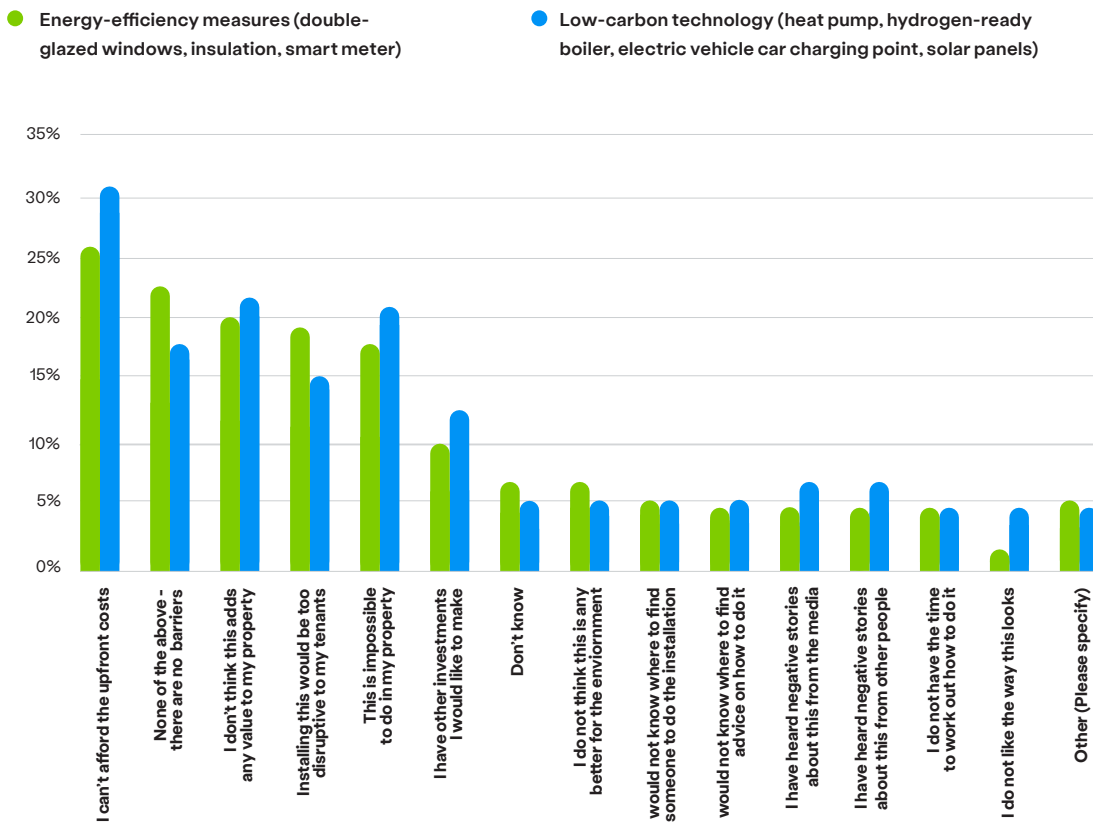
Barriers to making green improvements

This section explores the barriers that landlords face in making environmentally friendly upgrades to their properties. These include energy efficiency measures (double-glazed windows, insulation, smart meter) and low-carbon technologies (heat pump, hydrogen-ready boiler, electric vehicle car charging point, solar panels). At an aggregate level, the findings on barriers are not surprising – cost and disruption tend to be leading barriers for both homeowners and landlords within existing literature.

While the most popular response was that landlords face barriers to affording upfront costs, this was still true only for a minority of landlords, at around three in ten. Notably, the second most popular response was that there are no barriers - this is despite previously answering that their rental property could benefit from further green improvements. This chapter explores these responses in more detail with wider questions, to delve deeper into landlords' attitudes towards making green upgrades to their rental properties.

Landlord reported barriers to green improvements

Survey question: "Which of the following, if any, are barriers to you installing [X] in your property?" Two questions were asked in which [X] = 1. "low-carbon technology (heat pump, hydrogen-ready boiler, electric vehicle car charging point, solar panels)" and 2. energy efficiency (double-glazed windows, insulation, smart meter).





Financial Barriers

Unsurprisingly, the upfront cost of both energy efficiency and low carbon technology installations is the barrier most cited by landlords (25% for energy efficiency and 31% for low carbon technology upgrades). Whilst significant, it is worth noting that the majority of landlords did not select it.

However, follow up questions indicate that there are cross-cutting barriers which impact attitudes towards costs including limited knowledge of costs and support schemes; varying ability to meet unexpected costs; and the type of finance they use.

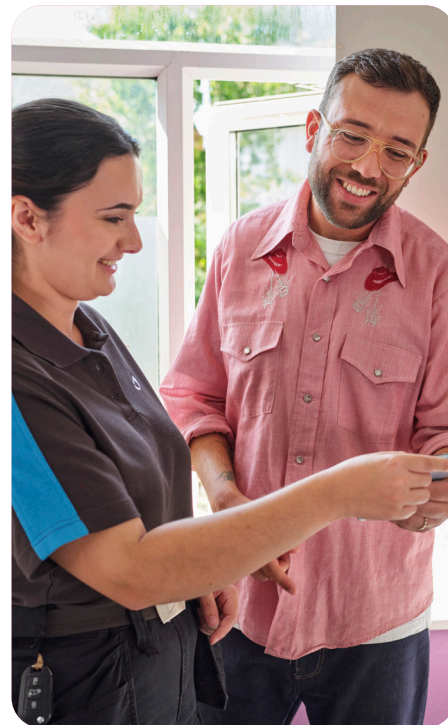
Limited knowledge of costs and support schemes

Overall, landlords reported relatively high levels of awareness around the concept of environmental improvements and different forms of technology. However, a key barrier to the uptake is landlords' knowledge about the EPC rating of their property and cost of installations.

When asked if they knew the EPC rating of their property, nearly half of respondents (44%) reported "no" or "don't know". Those that reported an EPC rating of below C had very limited understanding of the cost of environmental improvements. Of those that knew their property was rated EPC D or below, 88% had not received a quote for how much it would cost to bring the property up to a B or a C. Of those that had not received a quote, 44% responded "[didn't] know" when asked how much it would cost to bring their property up to EPC C. The average cost to upgrade private rented homes to an Energy Efficiency Rating (EER) band C is around £7,500.

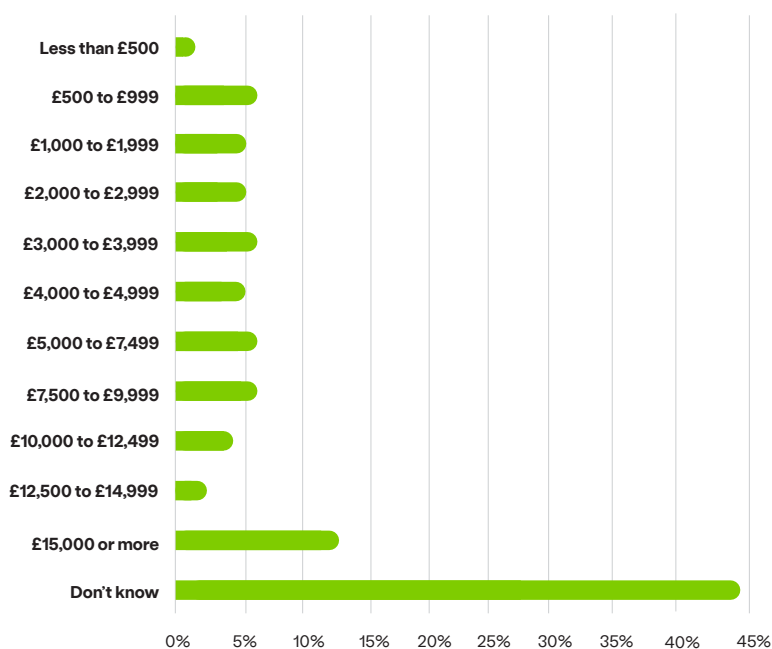
Among landlords who had not installed a heat pump, which was the majority of those in our survey, nearly a third (31%) did not know how much a heat pump would cost to install. Around two in five (42%) reported a price broadly in line with market rates, selecting between £7,500 and £12,500.

They also had a low understanding of the government grants available to them as landlords in the private rental sector. Nearly a quarter (24%) stated that government support for energy efficiency is only available to homeowners and not people who let out properties, and over half (52%) said that they did not know enough about these grants.



Perception of cost to bring rental property up to EPC C (by respondents with EPC D or below and without a quote of reaching EPC C)

Survey question: "As far as you are aware, how much do you think it would cost to bring the property you let out up to EPC C?" Base: Respondents who do not reach EPC C and had not received a quote to bring property up to EPC C.





Meeting unexpected costs

In order to probe more deeply into cost and affordability barriers, landlords were asked how easily they could afford an unexpected cost, ranging from £500 to £10,000. Bearing in mind that it costs around £7,500 to improve the average efficiency of a privately rented property to an EPC C, and £7,000-13,000 to install an air-source heat pump in a semi-detached house, the chart below illustrates the ability to meet a surprise payment of £5,000 or £10,000 purchases.³⁵

At the pricier end, nearly three in 10 (29%) landlords can somewhat easily afford an unexpected cost of £10,000 to repair a vehicle or part of the house. By contrast, another 30% would find it impossible to afford this unexpected cost, and a further 40% would find it difficult. For the £5,000 cost, over two in five landlords (42%) could somewhat easily afford a payment of £5,000. The ability to

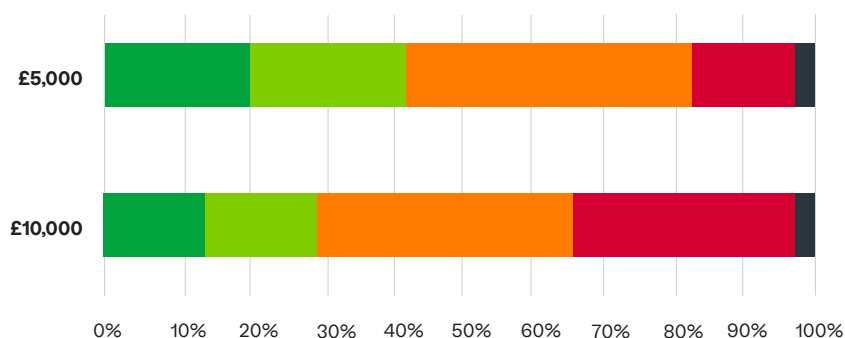
afford such a payment varies by different demographics – most notably it mattered whether a landlord has a mortgage or not. For example, whereas 27% of landlords that own their property outright claim they would be able to pay £10,000 very easily, only 8% of those with a mortgage claim they could do so. Additionally, of the landlords polled, those with a mortgage were more likely to say their property was rated EPC C or above (60%) compared to those that own outright (54%).

This should not be interpreted as landlords being able to necessarily 'afford' certain installations. They likely have to have savings to meet unexpected costs for repairs more generally. However, it does highlight the varying experience of cost barriers and the extent of private capital that may be available.

Ability to meet unexpected cost of £5,000 and £10,000

Survey question: "How easy or difficult would it be for you to pay for an unexpected cost of the following amount e.g. to repair a vehicle or part of your house?: £5,000 / £10,000"

- It would be very easy for me to pay this
- It would be quite easy for me to pay this
- It would be difficult to pay this, but I would be able to
- It would be impossible for me to pay this
- Don't Know



37% of landlords used their **own savings** on environmental improvements.



Type of finance

Related to the point on savings, one reason why landlords may report cost barriers is due to a preference for using personal savings or income to make upgrades to their rental properties over private finance.

Landlords rely on their savings to make improvements to their property and intend to do so for future products. For their most recent installation, 37% used their savings to pay for it and 31% their own income. By contrast, only 6% used a government grant or subsidy, 6% a bank loan and 1% a further advance from a mortgage lender. This preference for using savings actually increased when thinking about future installations, where 42% of landlords planned to use their savings.

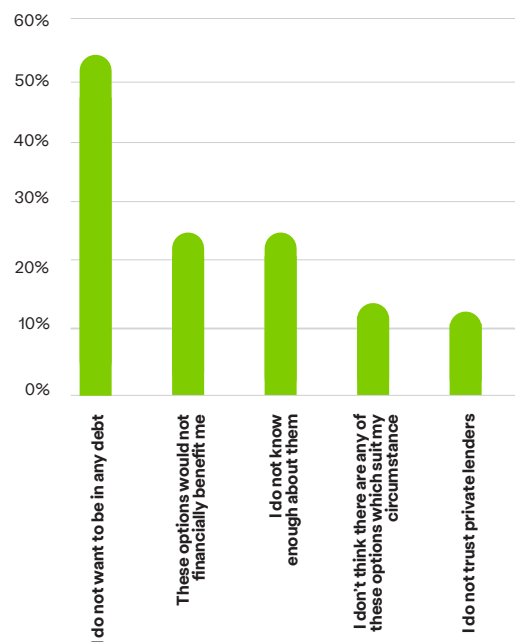
There is a clear reluctance to use private finance options. When specifically asked if they would consider a private finance option to fund environmental improvements in their home, 29% of landlords stated they

would definitely not consider this, and only 7% that they definitely would. This reluctance was largely due to not wanting to take on debt (52%) and not seeing loans or mortgage options as financially benefitting them (22%). A further one in five (22%) landlords said they did not know enough about private finance products. A notable proportion of landlords (around one in 10) said they did not think any options suited their circumstances or that they did not trust private lenders.

When asked what financial support options would make landlords more likely to make specific upgrades, government grants were the most popular (the option for grants funded 100% by the government was the only option that received majority support), followed by tax relief. Notably, a government loan was over twice as popular (11%) than funding from a bank (5%) or as part of a mortgage product (5%) for energy efficiency measures.

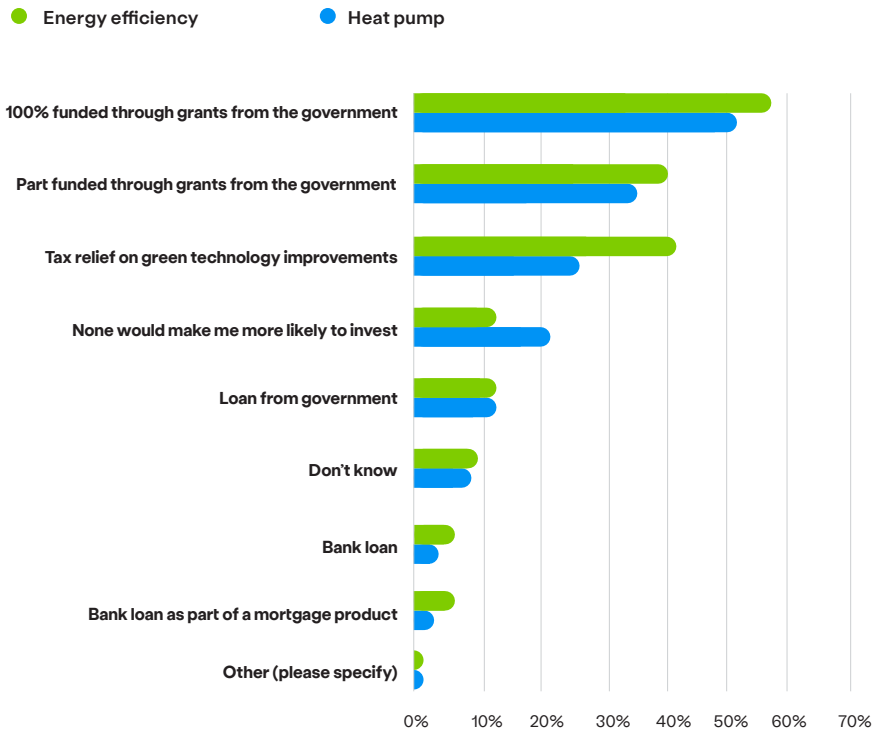
Barriers to landlords using private finance options for energy efficiency upgrades. Top 5 responses.

Survey question: "What are the main barriers, if any, to you using private finance options for environmentally friendly improvements to your rental properties? Select all which apply"



Financial support options that would incentivise investment in energy efficiency

Survey question: "Which of the following financial support options, if any, would make you more likely to invest in X for your rental property? Select all that apply." Two questions were asked in which [X] = 1. "a heat pump" and 2. "energy efficiency measures."





Perception of benefit

Financial return on improvements is a strong motivator for landlords. Our poll finds that currently, landlords in general are unconvinced that environmental improvements will bring about these types of returns. This is particularly the case for low-carbon technologies.

Over half (54%) of landlords think environmental improvements to rental properties tend not to be worth the costs, which is twice as many as those who report that improvements are worth the costs (26%), while one in five landlords (21%) report they do not know. More specifically, over half (53%) of landlords stated that the rental value of their property would be unchanged if they installed new energy efficiency measures. In comparison, a third (33%)

reported that they thought the value would go up. For low carbon technologies, landlords were slightly less convinced - with only 28% stating the rental value of the property would increase. This perceived benefit, or lack thereof, is a key motivator and barrier for landlords. Unsurprisingly, there is a correlation between opinion and action - landlords who think it would make a property more attractive have installed the product, and those that are unconvinced have not done so.

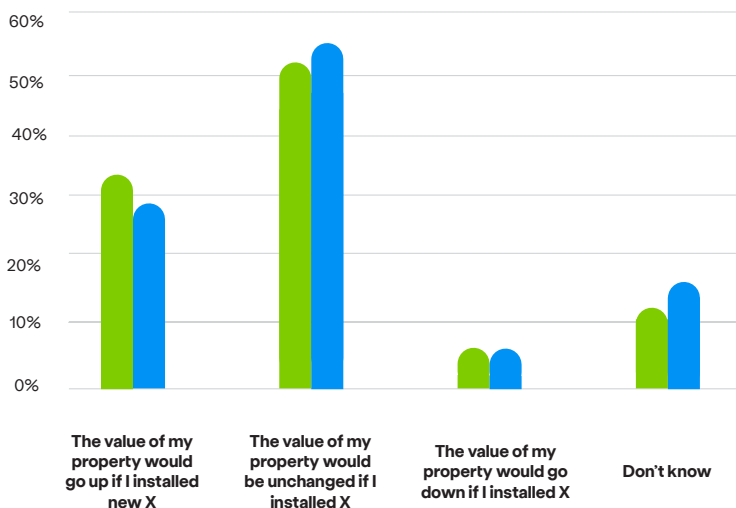
When asked what improvements would most increase the rental value of their property, cosmetic enhancements were most popular, with 42% choosing a kitchen refit, while only 17% of landlords selected improvements to energy efficiency.



Landlord perception of impact of green upgrades on property value

Survey question: "What impact do you think installing X in your rental property would have on the rental value of the property, if any?"

- Energy efficiency measures (e.g. insulation, double-glazed windows, smart meter)
- Low-carbon technologies (e.g. solar panels, heat pump, hydrogen-ready boiler, electric vehicle car charging point)





Tenant demand & relationships

There is limited existing research that explores the relationship between tenant demand for green improvements and landlords' associated attitudes and behaviours. The poll sought to understand two key gaps in the literature. First, landlords' perceptions of what tenants want and whether they care about green upgrades; and second, whether this demand translates to requests for installations and whether those tenant requests are actioned by landlords.

Our polling indicates that landlords think tenants don't find environmental improvements attractive, with less than a third agreeing. Prior to the energy crisis, research from the Social Market Foundation found that only 11% of renters reported double glazing as a priority when choosing a priority. With energy bills rising since then, it is likely that this may have increased - further research is likely required to reflect any change in tenant behaviour. Notably, landlords were also

sceptical that improvements more generally would lead to an increase in tenant demand or a willingness to pay more.³⁶

Our research found that very few tenants have requested that landlords install green upgrades in the past five years. Of the tenants that had made a request, a smart meter was the most popular (19%), followed by double glazed windows (11%) and central heating (9%). At an aggregate level, landlords were reasonably responsive to these requests with the majority (61%) making an installation as a result.

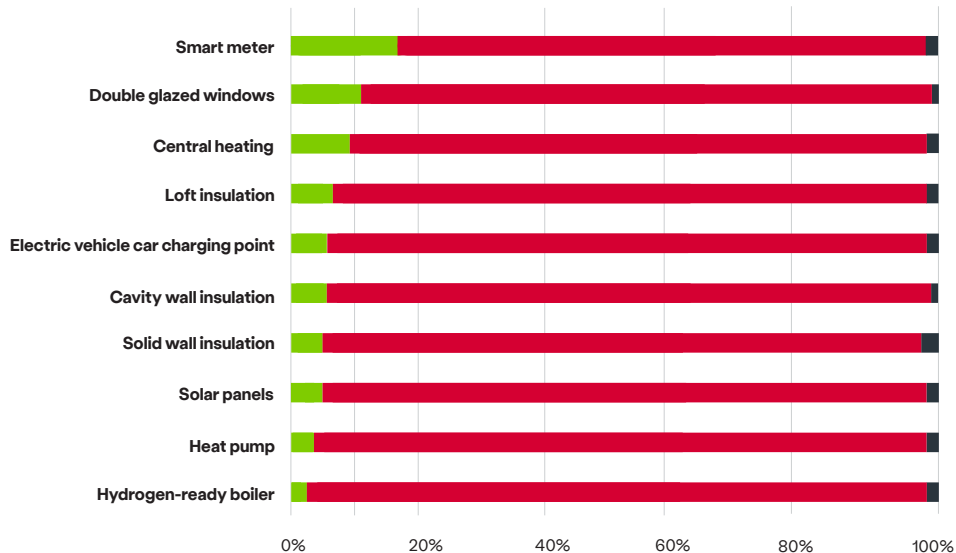
While landlords do not believe tenants should pay for installations, there are mixed views on whether tenants should bear responsibility for organising and overseeing installations. Half (51%) of landlords believe that tenants should not be involved, while a third (33%) believe there should be shared responsibility. Only 6% believed that tenants should have full responsibility.



Tenant request for installation in past five years, by product

Survey question: "Have any of your tenants ever asked for the following changes to your property in the past five years?"

- Yes
- No
- Don't know





Environmental concern

Landlords are concerned about the environment, with 48% agreeing that climate change is one of the most pressing issues of our time, and only 5% that it is not much of a concern. Interestingly, whilst an increase in age tends to correlate with lower environmental concern, illustrated by our latest nationally representative polling - where 55-64 year olds are 12% less likely than 18-24 year olds to think that climate change is the most pressing issue - this is not the case for landlords, despite their median age being 58 years old. In fact, landlords are slightly more environmentally concerned than the UK public. When compared to a separate nationally representative poll from Public First, landlords were 4% less likely than the UK public to agree that “climate change is a concern, but other issues are more important at the moment” (33% v 29%).³⁷

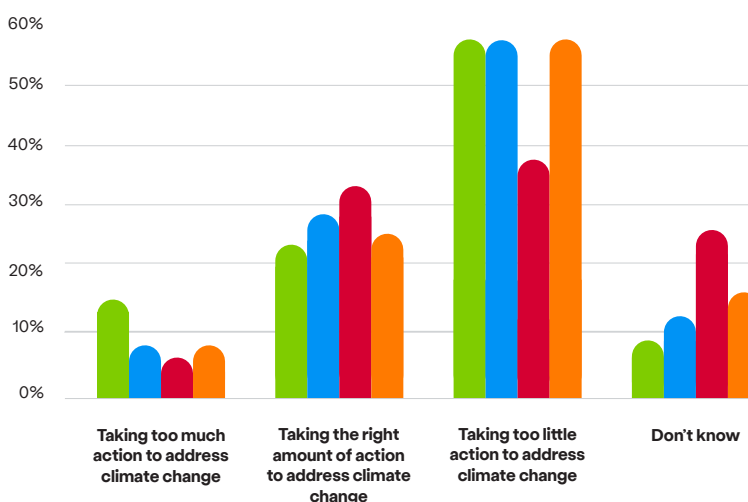
Higher environmental concern does correlate with action - the higher their level of concern, the more likely a landlord is to have installed a greater

number of products in their personal home and their rental property. For example, 71% with very high climate concern have loft insulation installed in their rental property, versus 57% with low concern. Landlords concerned about the environment are also more likely to know the EPC rating of the majority of their rental properties (73% of those with very high climate concern, versus 52% of those with no concern). And landlords that are more concerned also tend to have greater support for tougher government regulation on landlords like themselves to reduce their properties’ carbon footprint. Overall, a majority of landlords think the UK government and public generally are taking too little action to address climate change (56%). Although very few landlords think landlords are taking too much action on climate change (5%) there was reluctance to answer these questions with a notable 25% stating that they didn’t know when asked if landlords are taking enough action.

Landlords perception of climate change action, by actor

Survey question: “For each of the following, do you think they are currently taking enough action to address climate change, or not?”

- The UK Government
- The UK public generally
- Landlords in the UK
- Businesses in the UK



Key policy recommendations

This chapter explores recent developments in the policy landscape for greening private rental homes, and makes key policy recommendations to both incentivise landlords to make upgrades and empower renters with strengthened rights.

Policy Landscape & Recommendations

Recent developments in energy efficiency standards

Prior to the Prime Minister’s net zero policy changes in September, legislative standards dictated that privately rented homes must meet a minimum EPC rating of E, and all residential properties must achieve an EPC rating of C by 2035.

The regulation for all residential properties to reach EPC C has since been shelved in the Prime Minister’s recent speech.³⁸

“Under current plans, some property owners [read: landlords] would’ve been forced to make expensive upgrades in just two years’ time... That’s just wrong. So those plans will be scrapped, and while we continue to subsidise energy efficiency – we’ll never force any household to do it.”³⁹

There have been several proposals for greater regulation for privately rented properties. A government consultation on minimum energy efficiency standards in the sector recommended in 2021 that newly rented properties should meet a minimum EPC rating of C by April 2025, and existing tenancies should be upgraded by 2028. Two and a half years later, the government has still not responded to the consultation, failing to bring the recommendation forward.

The private rented sector white paper, published in 2022, was expected to include minimum EPC standards but did not. The Renters Reform Bill does propose the introduction of the Decent Homes Standard in the sector which aims to improve poor

quality housing more generally in around one in four privately rented homes. The standard includes ensuring that homes reach a “reasonable degree of thermal comfort”. While this is a positive step, the Decent Homes Standard alone is not ambitious enough to decarbonise the private rented sector.

Now, a Private Members Bill in its second reading in the House of Commons proposes introducing these minimum EPC standards with a spending cap of £20,000.⁴⁰ It will also require mortgage lenders to ensure their domestic portfolios are at least EPC band C. In July, the Secretary of State for Housing, Michael Gove, indicated a delay to these regulations to 2030,⁴¹ stating he wanted to “ease up” on net zero policy for the private rented sector.⁴² And indeed, in September, Prime Minister Rishi Sunak declared that the government will not pass these regulations and will remove the existing regulation for all residential properties to achieve an EPC rating of C by 2035.⁴³ Unfortunately, this occurred after our poll went into the field and therefore views on the removal of the proposed regulation could not be tested with landlord respondents.

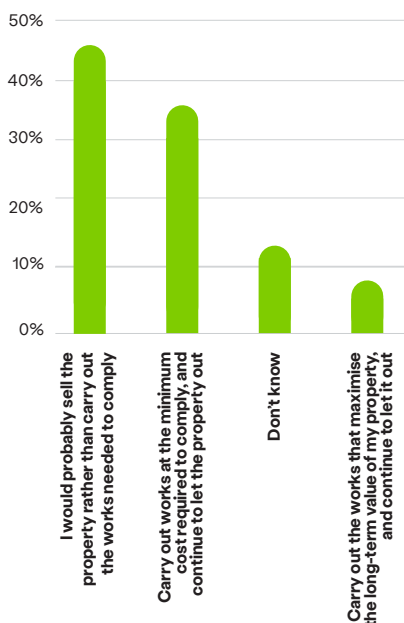


This policy change is largely due to financial pressures with high interest rates on mortgages. With over half (57%) of landlords having buy-to-let mortgages, pressure is also being felt by tenants with rising rents.⁴⁴ Recent data indicates a non-trivial increase in the number of buy-to-let landlords selling their properties in recent years.⁴⁵ Although it is unclear where properties have been sold within or outside of the private rented sector, this risk of squeezing the housing market even further is apparent enough to concern ministers.

Landlords that were polled had high awareness of the proposed changes to minimum energy efficiency standards. Less than a quarter (23%) said they were not at all aware and 3% said they did not know. Less than a third (30%) are aware of the

Landlords, with their property below EPC C, response to potential introduction of EPC C standards

Survey question: "On average, it costs £7,390 to improve inefficient privately rented properties to an EPC C. If you had a rental property that did not meet the required EPC standard, how do you think you would respond?"
[Respondents whose rented property was below EPC C]



proposal but did not understand details, while 44% said they were both aware and fully understood the details. Total support for changes was moderate at 42%, but a lot higher than net opposition at 25%. However, when asked how they might respond to potential incoming legislation, 44% of landlords who knowingly do not meet EPC C standards said they would probably sell the property rather than carry out the works needed to comply. This risk is explored in more detail below.

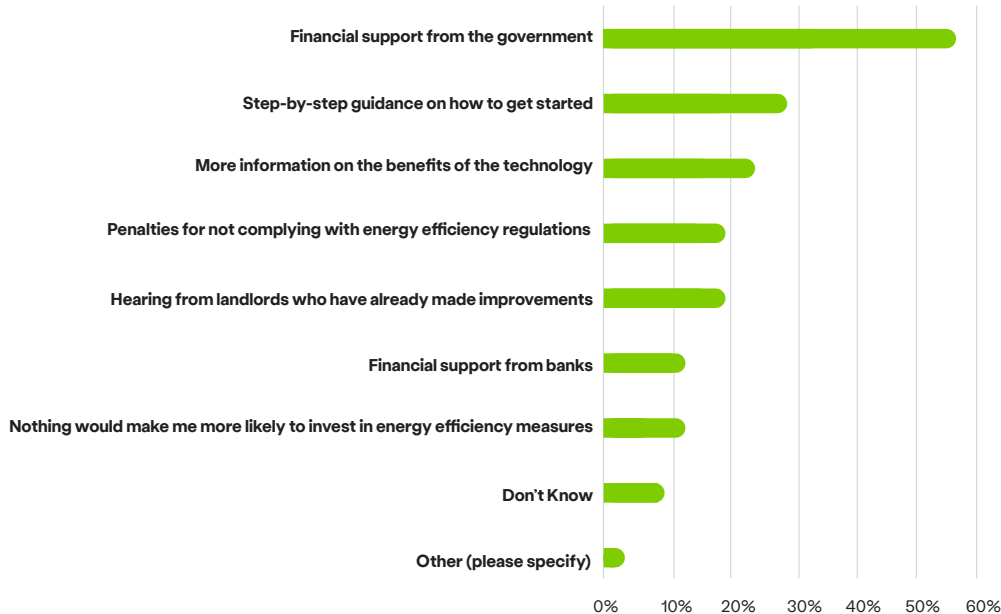
The Government has yet to pass or propose any legislation on banning gas boilers in existing buildings. The Net Zero Strategy proposed phase-out dates for off-grid homes from 2026 and all other homes by 2035, however, the Prime Minister's net zero speech in September scrapped these phase-out proposals, instead stating that homeowners will only need to decarbonise when replacing their boiler from 2035 onwards.⁴⁶ Until then, the government has an ambition to install 600,000 heat pumps a year by 2028. As highlighted above, even with record installation rates, continuing at the current pace will only achieve 6% of this target.

Landlords were asked what would make them more likely to invest in installing energy efficiency measures and heat pumps (see charts below). While responses vary slightly between the two types of technology, it is clear that landlords primarily want more financial support from the Government as well as more informational support. Policy options for this are explored in more detail below.



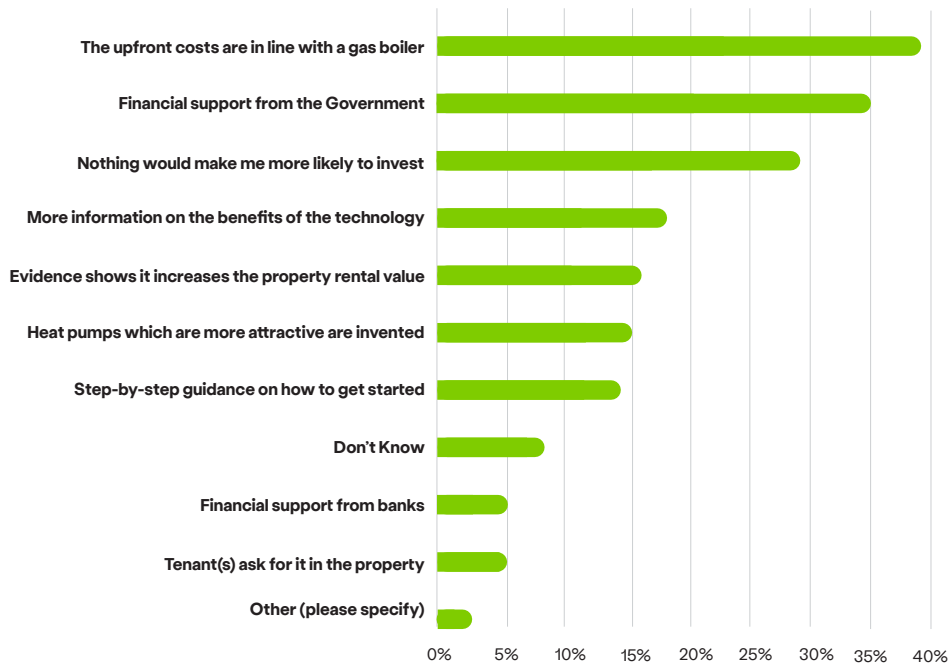
Landlord views on options that would make them more likely to invest in energy efficiency

Survey question: Which of the following policy options, if any, would make you more likely to invest in energy efficiency measures for your rental property? Select all that apply.



Landlord views on options that would make them more likely to invest in installing a heat pump

Survey question: "The Government has set a target of installing 600,000 heat pumps a year by 2028. There are currently no plans to regulate against the installation of gas boilers in existing properties. Which of the following options would make you more likely to install a heat pump in your rental property? Select all that apply"





Political leadership

Ministers should always be mindful of introducing policies that compound existing economic pressures. This is particularly true where said policies may have disproportionate impacts on the disadvantaged. The risk that landlords sell their rental properties as a result of policy changes is concerning because of the threat it poses to renters. Without knowing where properties would be sold to (e.g. other landlords, first-time buyers, holiday let), policymakers face a possibility that housing supply for renters could reduce, increasing competition and prices for the remaining stock. With renters already more likely to be on lower incomes than owner-occupiers, this understandably poses a challenge for already worsening inequality in the UK.⁴⁷

However, failing to upgrade homes also disadvantages renters. The Energy and Climate Intelligence Unit found that if the Government delayed EPC regulation for new and existing tenancies to reach minimum EPC C to 2030, then this could cost bill payers more than £1.4bn in higher energy bills.⁴⁸ Delaying action on landlords on the grounds of costs does not in fact delay them - it simply shifts the responsibility of costs away from landlords towards tenants, who are comparatively poorer.

Rather than continuing to delay, reaching net zero is a challenge that requires greater levels of political leadership as well as public and private investment than is currently available. The stop-start nature of energy efficiency policy in private homes has been one of the most notable lessons learnt for why the UK has seen protractedly low insulation installation rates since 2013.⁴⁹ The latest delay in implementing efficiency standards risks being yet another iteration in the line of successive policy failures from David Cameron's cutting of the 'green crap' to the Green Homes Grant.

Politicians must lead by establishing a clear roadmap that gives landlords certainty over what is required of them, by when, and provide supporting policies to help them (and the supply chain) get there. This roadmap should start with committing to and passing legislative targets to decarbonise homes. Policymakers should respond to the 2021 consultation on updated minimum energy efficiency standards and commit to a clear, legally binding date for implementation. This should be part of a broader roadmap to decarbonise homes which includes legislation for minimum EPC ratings, boiler phase-out dates and smart meter installation. To ensure targets

are achievable, policymakers should provide a) a suite of long-term policies to address direct financial and informational barriers for landlords, and b) broader enabling policies to develop the supply chain to skill retrofit assessors and heat pump installers.

The policy recommendations in this report focus on the former more direct policy levers. While closing the skills gap remains a wider policy challenge beyond the scope of this project, there has been some recent progress in this space. In September 2023, the Government granted funding for the first ever heat pump apprenticeship. The private sector is also playing its part in upskilling – for example, Centrica has committed to recruit and train 3,500 apprentices in green skills, such as heat pump installation, by 2030 and to boost the number of women working in STEM roles by ensuring 50% of these apprentices are women.⁵⁰

The following sections focus on policy options that should be introduced alongside a clear regulatory roadmap in order to directly support landlords and tenants in the greening of private rental homes.

3,500

green skill apprentices
recruited by Centrica

Financial Support

The main reported barrier for landlords to green their rental properties is financial. The most commonly reported financial barriers relate to difficulty in affording the upfront costs of energy efficiency measures or low-carbon technology. It is also the case that, for some landlords, the financial barrier is not actually the availability of capital but rather perceptions around the financial return from investing in green upgrades. As a result, policymakers should consider a suite of financial incentives to enable landlords to then make the investments needed for a clear government roadmap.

Current schemes available to decarbonise homes largely focus on social housing, such as the Social Housing Decarbonisation Fund, or fuel poor homes⁵¹ where efficiency of the property is low, and tenants are on lower incomes. This is a worthy policy objective – the sector is home to the highest proportion of fuel poor homes (one in four in England) compared to other tenures. However, with a total of 55% of homes in the English sector not reaching EPC C, there is a clear need for policies with a broader reach of landlords in mind. The more recent Boiler Upgrade Scheme, for example, provides a £7,500 voucher towards the cost of installing a heat pump for homeowners including landlords, recently increased from £5,000 as part of the Prime Minister's net zero policy changes.⁵² Eligibility criteria is based on property details rather than occupiers. However, a recent Lords committee report claimed the scheme is failing to deliver on its objectives with low take-up of grants.⁵³

There is a clear tension around how green upgrades should be paid for in the private rented sector. Our research finds that where possible, landlords generally prefer to use

their own savings/income to pay for upgrades; they dislike private finance options; and ideally they would prefer government grants to cover the entire cost of upgrades. However, in a period of constrained public finances, pragmatic policy options will need to also be politically viable with voters and the Treasury. As a result, this report explores and recommends two proposals for financial incentives: tax relief for green upgrades and public-private partnerships for green lending.



of homes in England
do not reach EPC C

Tax relief for green upgrades

Changes in tax policies in 2016 have reduced the attractiveness of being a landlord in the private rented sector. These changes include an increase in stamp duty rates for buyers with more than one owned property as well as reforms to the 'wear and tear' allowance. The now reformed Replacement Relief means that expenses for maintenance and repairs can be deducted from landlords' taxable rental income, but only in the case of a like-to-like swap.

To incentivise the uptake of energy efficiency measures and low-carbon technology, policymakers should enable a Green Upgrade Relief to be deducted in-year from landlord's taxable rental income. Given landlords' preference for more cosmetic property enhancements, the relief should only be eligible for a list of





specified measures, such as loft and wall insulation, double glazing, heat pumps, solar panels and EV charge points. Where existing government grants may be used, such as in the instance of the Boiler Upgrade Scheme, the deductible amount would be based on the overall cost minus the value of the grant.

Tax incentive recommendations have also been put forward by the Social Market Foundation, the National Residential Landlords Association (NRLA) and E3G. However, policymakers have yet to adopt the policy. E3G calculates that the cost of the policy from the minimum tax revenue forgone could total £1.3bn to 2028 or around £0.26bn per annum over five years.⁵⁴ While the report claims that a portion would be paid to the Treasury in the form of increased VAT receipts, this would likely only take place from 2027 when the 0% rating on energy saving measures is due to end.

There is evidence of public support, with recent polling by Public First showing that 45% of the UK public support tax incentives to persuade landlords to make rental properties more energy efficient, and 41% support from 2019 Conservative voters.⁵⁵

Public-private partnerships for green loans

For many landlords who face cost barriers, tax changes alone are unlikely to leverage the funds required to meet the upfront costs of greening their rental properties. Private finance options should also play an important role in alleviating pressure on the public purse, particularly given that there is already appetite from financial institutions to front capital. Many high-street banks are already playing their part with green products on the market from mortgages to standalone zero-interest loan options. For example, Barclays offers preferential mortgage interest rates for properties with EPC A or B, and Nationwide offers zero interest loans for green improvements.⁵⁶ Energy suppliers are also offering private finance options for heat pumps, for example British Gas offers a zero-interest loan spread across two years.⁵⁷ A key challenge lies in making these options more attractive to landlords.

Centrica's poll indicates that landlords use these products at low rates already and have limited intention of doing so in future. The key barrier to uptake is understandably not wanting to take on more debt, but other barriers also include a lack of information and low trust in banks. The findings

indicate that government loans are more popular than private ones - this could be due to a perception that a government loan is more 'trustworthy' or would have better terms than banks.

Additionally, private finance options can vary by the financial institution. For example, to be eligible for their green mortgage NatWest requires minimum EPC B; Foundation Home Loans requires a minimum of EPC C; and Kensington Building Society requires the home to be a minimum EPC B new build. Mortgage options also vary by property type, with some banks only offering them to new builds bought directly from the developer, and others for remortgaged homes. The incentives of a green mortgage include slightly lower interest rates, cashback for installing green products (such as Halifax paying out £1,000 when a heat pump is installed) and additional low or no-interest loans for green home improvements. For example, Nationwide offers £5,000-£15,000 zero interest loans at a fixed rate for two or five years. It is possible that the variance in available products may contribute towards landlords' views that private finance options do not suit their circumstances and that they do not know enough about these options. Policymakers should partner with private lenders to increase the awareness and attractiveness of green loans.



The Scottish government recently introduced a government-backed interest free loan specifically for private rented sector landlords to use on energy efficiency upgrades, renewable energy systems and storage. Landlords with five properties or fewer can borrow up to £15,000 for each property with zero interest and with 3.5% interest for landlords with six or more properties. Properties must be currently occupied by at least one tenant or have one in place within 30 days of the loan being paid. The loan is subject to an admin fee of 1.5% of the total loan value up to a maximum of £250.⁵⁸

Policymakers should work with finance institutions to set out a government-backed kitemarked loan product offered by private lenders. This product would offer key advantages to increase uptake by:

- Increasing landlord trust in bank loans by having a government-approved kitemark
- Increasing awareness of the product through a joint launch campaign with UK Finance, high-street lenders and relevant government departments
- Providing attractive terms that are subsidised through public funds

The kitemarked product would include attractive terms with a presumption of replicating the Scottish model. It would be reasonable for policymakers to update conditions related to property value in line with English and Welsh house prices, as they are on average higher than in Scotland.⁵⁹

Any further changes should be addressed through a consultation with finance institutions and landlord representatives. Kitemarked loans could be offered both stand-alone, as well as part of a bundled mortgage product.

In addition to landlords' attitudinal barriers to private finance, there are also structural economic barriers for private lenders to expand and extend attractive options. Recent high interest rates have pushed up the cost of capital. For new or variable products, these higher costs tend to be passed directly onto borrowers through higher rates. In the case of existing fixed products, lenders absorb these costs to varying degrees to still offer attractive rates. To ensure the kitemarked loan terms are adopted by private lenders, the cost of providing cheap capital should be offset for lenders through public funds. A funding pot should be made available from the UK Infrastructure Bank (UKIB) for approved lenders to access funding to cover the price differential between market interest rates and the terms of the kitemarked loan. Clear guidance should be published by the UKIB to set out eligibility criteria for lenders, the duration of the lender subsidy and the terms for reference for market interest rates.

The kitemark loan should be launched as part of a joint campaign with key financial institutions and government departments to ensure that awareness and uptake of the product is high.

Step-by-step guidance

A key barrier for landlords is understanding where to start when retrofitting their rental properties for green upgrades. Currently, homeowners act as project managers for their home improvements which can be difficult to navigate.

Policymakers should introduce Building Passports to enable landlords and homeowners more broadly to make improvements in a coordinated and step-by-step approach. A Building Passport would provide a summary of key property information (such as EPC data, energy consumption, previous installations, and building information) and a bespoke roadmap for what upgrades need to take place and by when. This should be integrated with any relevant regulatory timelines as well as provide information on installers and funding options. There is precedent for this type of initiative with similar concepts available in Germany, Belgium and France.⁶⁰

A recent report from the Green Finance Institute outlines a 'greenprint' for what data inputs would be required for a Building Renovation Passport (BRP), including who currently owns that data and how it can be accessed. Some of this already exists while other data points, such as heat loss calculations, require an accredited assessor to undertake work. Collating all of this into bespoke plans will take time and should be considered a medium-term policy goal that should be acted upon swiftly to support retrofitting homes for net zero.

In the meantime, landlords require advice and guidance from a single source in order to get started. "One-stop shop" approaches to advice services are growing in popularity across Europe with

initiatives in France, Portugal, the Netherlands, Ireland and Scotland.⁶¹ The Scottish Energy Saving Trust provides customers with a "one-stop shop" for high quality, impartial advice to support homeowners, including landlords, to upgrade their homes. Home Energy Scotland offers personalised advice on home energy improvements with the option of home visits, as well as accessing Scottish Government funding programmes with specialist financial advisors.⁶² The French model 'MaPrimeRénov' goes even further by providing support from the start to the end of the process, including energy audits and a directory of local installers, and has seen very high uptake.⁶³

Policymakers for England and Wales should launch a one-stop shop of guidance and advice for homeowners with Energy Saving Trust, modelled on the Scottish initiative. Notably, the service should include a package of support specifically for landlords with signposted financial support options (i.e., recommended tax reforms and kitemarked loans) and information on the potential financial benefits of green upgrades for rental and property values.

We strongly recommend that this service is led by a consumer advice body - our polling of landlords shows that consumer bodies (33%) are most trusted for advice and information on improving the environmental impact of their rental properties, followed by national government (28%). Banks and mortgage providers ranked lower with just 4% of landlords trusting them for this information. However, mortgage advisers will also have a growing role in providing useful information to landlords on the financial benefits of retrofit.⁶⁴ As part of the advice service, Energy Saving Trust

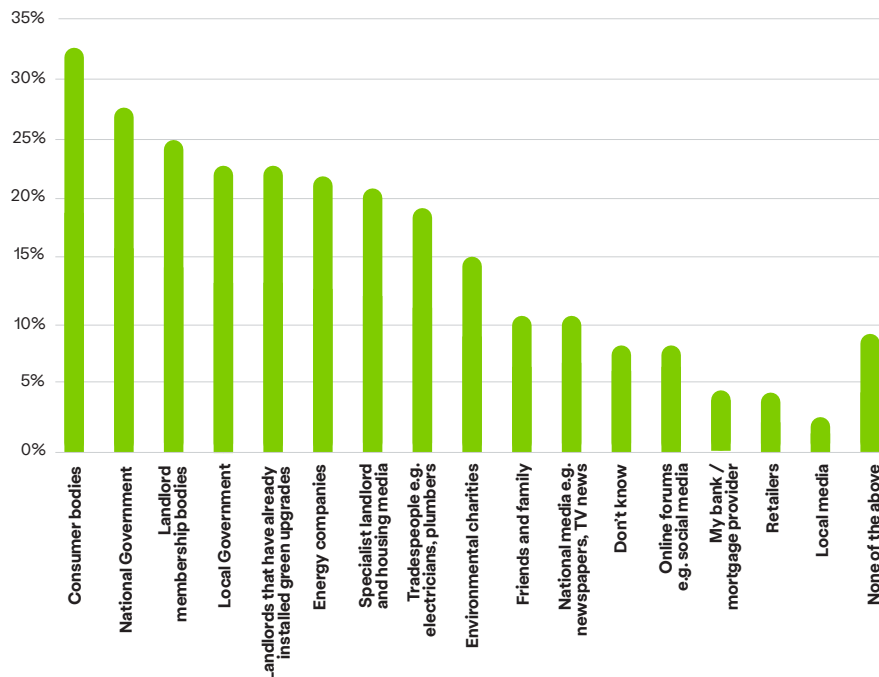


should host training sessions with financial and mortgage advisers to equip them with relevant information. These sessions should also serve as a feedback loop to hear how financial products are being received in the market and what existing barriers persist or what new barriers are emerging.

Energy suppliers also have a role to play in informing and advising landlords on greening homes, particularly by way of installers who may have more regular contact with landlords when carrying out boiler maintenance for example. It is therefore critical that suppliers and the Energy Saving Trust work in-step to ensure that the information and advice they provide is aligned.

Who do landlords trust for useful advice and information on making green improvements?

Survey question: "Which of the following, if any, would you trust to give useful advice and information on reducing the environmental impact of your property? Select all which apply?"



Strengthening renters rights to smart meters

A starting point for the private rental sector would be to increase smart meter uptake to empower tenants with real-time data on their energy use and enable a more efficient energy system. Given that smart meter installation requires no upfront cost to the tenant or the landlord, there should be lower barriers to installation.⁶⁵ However, currently the private rented sector is the worst performing tenure for smart meter uptake, at just 28% in 2020 compared to 40% in owner-occupied and 45% in social rented sectors. Despite successive efforts from the Government to increase uptake, a recent report from the National Audit Office highlights how private rented homes still have comparatively lower uptake.⁶⁶

The key barrier here is around perception of responsibility. Centrica's polling, for this report, on responsibility for green improvements more broadly found that half (51%) of landlords believe that tenants should not be involved in installing technologies

while a third (33%) believe there should be shared responsibility. This is confused even further in the case of smart meters, where the billpayer has a right to install a smart meter without their landlord's unreasonable prevention. Existing literature on smart meters finds that around equal parts (c. 40%) of landlords think it is their responsibility to install a meter rather than the tenant's.⁶⁷

The process for installing a smart meter relies on the billpayer (usually the tenant) requesting one from their energy supplier. Current advice states that it would be wise for a tenant to inform their landlord if they have requested a smart meter. However, nearly half of letting agents added clauses to tenancy agreements preventing installations from taking place without the landlord's consent.⁶⁸ Even though the majority of landlords would agree to a tenant getting a smart meter installed, nearly one in five think their landlord would say no. This echoes our research which found that just 19% of landlords reported receiving requests from tenants for a smart meter in the past five years.



In the medium-term, the Government is considering including the installation of smart meters as part of EPC recommendations.⁶⁹ Under updated MEES legislation, where smart meters could be recommended as part of meeting an EPC C, installing them would by default become a homeowner's responsibility and requirement. Until then, policymakers should better empower and enable renters to exercise their right to a smart meter. This should include:

- Adding an amendment to the Renters Reform Bill currently going through Parliament to ensure that landlords cannot reasonably refuse smart meter installation, modelled on the clause around tenant requests for pets. This would strengthen renters' rights and give them greater confidence to make a request in the first place.
- Launching an updated SmartEnergyGB campaign targeted at renters that informs them of their strengthened rights and the benefits of a smart meter in providing greater transparency over energy use. SmartEnergyGB is the government campaign body to support the roll out of smart meters.



Conclusion

Greening the private rental sector is crucial if the UK is to meet its net zero targets and do its part in tackling climate change.

This requires bold political leadership and supportive policies to encourage landlords to make necessary upgrades. However, this sense of urgency is not translating into decisive action from policymakers or the sector – instead, the current Government has delayed phase-out policies even further. In the meantime, tenants are footing the bill for poor efficiency through their energy bills.

This report highlights landlords' limited appetite to install energy efficiency upgrades or low carbon technology in the next five years, primarily due to

cost and informational barriers. Importantly, although landlords see their rental properties as a long-term investment, they do not yet perceive that green investments will benefit them by way of financial returns. The report also highlights key barriers to private finance options due to concerns about debt as well as a lack of awareness and trust.

It is critical that policymakers take action to set out a clear regulatory map for the sector, including legislation for minimum EPC ratings, boiler phase-out dates and smart meter installation. Once they have given landlords, the supply chain and lenders this much needed certainty, government must then support the sector to meet these targets. This report recommends that the Government implement the following policy actions to reduce key cost and informational barriers and catalyse the greening of the sector:

Introduce a Green Upgrade Relief which allows landlords to deduct green improvements from their annual income

Introduce government-kitemarked loan terms for private lenders to offer low and no interest loans partially funded by the UK Infrastructure Bank

Update the Renters Reform Bill so landlords cannot reasonably refuse smart meter installation to strengthen renters' rights and awareness of rights

Launch a one-stop shop advice and guidance service from Energy Saving Trust modelled upon Scotland's HomeEnergy service

Start the data-gathering process to implement Building Passports for individual properties

References

Ref No.	Page No.	Reference
1	3	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
2	3	Social Market Foundation, Where next for the private rented sector? , March 2022
3	3	Gov.uk, English Housing Survey 2021-2023: Energy , July 2023
4	6	WWF, Better Home, Cooler Planet: How low-carbon technologies can reduce bills and increase house value , July 2022
5	6	The Guardian, UK homes install 'record number' of solar panels and heat pumps , August 2023
6	6	Social Market Foundation, Where next for the private rented sector? , March 2022
7	6	Gov.uk, English Housing Survey 2021-2023: Energy , July 2023
8	7	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
9	7	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
10	10	ONS, Energy efficiency of Housing, England and Wales, country and region , October 2022
11	10	EIBI, Delays to strengthening MEES will hit private rented sector hard , accessed August 2023
12	10	DESNZ, Annual Fuel Poverty Statistics in England , February 2023
13	10	DLUHC, English Housing Survey: Energy 2021-22 , July 2023
14	10	DLUHC, English Housing Survey 2020-21 , December 2021
15	10	DLUHC, English Housing Survey: Energy 2021-22 , July 2023
16	10	BEIS, Final Stage Impact Assessment: Amending the Private Rented Sector Energy Efficiency Regulations , November 2018
17	10	DLUHC, English Housing Survey: Energy 2021-22 , July 2023
18	10	Knight Frank, Improving your EPC rating could increase your home's value by up to 20% , October 2022
19	10	Ibid
20	10	WWF, Better Home, Cooler Planet: How low-carbon technologies can reduce bills and increase house value , July 2022
21	11	DLUHC, English Private Landlord Survey 2021, May 2022 and HMRC, Property Rental Income Statistics 2022 , October 2022
22	11	DLUHC, English Housing Survey: 2021-22 , July 2023
23	11	Social Market Foundation, Where next for the private rented sector , March 2022.
24	11	DLUHC, English Private Landlord Survey 2021 , May 2022
25	12	Ibid.
26	12	Ibid.
27	12	DLUHC, English Housing Survey: Energy 2021-22 , July 2023
28	12	DLUHC, English Private Landlord Survey 2021, May 2022 and HMRC, Property Rental Income Statistics 2022 , October 2022
29	12	Ibid.
30	12	Ibid.
31	13	DLUHC, English Housing Survey: Energy 2021-22 , July 2023
32	13	Social Market Foundation, Where next for the private rented sector , March 2022.
33	13	Ibid.
34	13	MRI Software, Rental Housing Trends and Preferences , 2023
35	21	DLUHC, English Housing Survey: 2021-22, July 2023 and Energy Saving Trust , accessed August 2023
36	25	The majority (60%) of landlords stated that general improvements tend not to have an impact on the amount that tenants are willing to pay in rent.
37	26	British Gas, Net Zero Homes Index , September 2023. Polling took place in May 2023.

References

Ref No.	Page No.	Reference
38	28	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
39	28	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
40	28	UK Parliament, Minimum Energy Performance of Buildings (No. 2) Bill , accessed August 2023
41	28	EIBI, Delays to strengthening MEES will hit private rented sector hard , accessed August 2023
42	28	The Telegraph, Landlords to get extra time to make properties more energy efficient , July 2023
43	28	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
44	29	DLUHC, English Housing Survey: Energy 2021-22 , July 2023
45	29	The Guardian, Number of landlords selling up in UK grows as mortgage rates surge , August 2023
46	29	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
47	31	ONS, Household income inequality, UK: financial year ending 2022 , January 2023
48	31	ECIU, Delaying insulation standards could cost private renters £1.4bn , July 2023
49	31	CCC, 2022 Progress Report , June 2022
50	31	Energy Live News, Centrica to recruit and train 3,500 apprentices in green skills jobs boost , September 2021
51	32	Including iterations of ECO schemes, Local Authority Delivery, and the Home Upgrade Scheme.
52	32	Gov.uk, PM speech on Net Zero: 20 September 2023 , September 2023
53	32	House of Lords Environment and Climate Change Committee, The Boiler Upgrade Scheme is failing to deliver, says Lords committee , February 2023
54	32	E3G, Incentivising energy efficiency improvements for UK private renters: Autumn Budget briefing , July 2023
55	33	Public First polling for Onward, Hotting Up , September 2023
56	33	Money Saving Expert, accessed September 2023
57	33	British Gas, Air source heat pumps , accessed September 2023
58	34	Home Energy Scotland, Private Rented Sector Landlord Loan: in detail , Accessed: 21 August 2023
59	34	HM Land Registry, UK House Price Index for May 2023 , July 2023
60	35	BPIE, Building Renovation Passports , October 2016
61	35	Energy Saving Trust, Energy efficiency programmes and what we can learn from our neighbours , November 2022 and CCC, Climate policy that cuts costs: International policy comparison (Energy Saving Trust, Green Alliance) , June 2023
62	35	Energy Saving Trust, Home energy programmes delivered by Energy Saving Trust on behalf of the Scottish Government , January 2022
63	35	CCC, Climate policy that cuts costs: International policy comparison (Energy Saving Trust, Green Alliance) , June 2023, pp. 47
64	35	UK Finance, Net Zero Homes , November 2022
65	36	Smart meters are organised by energy suppliers and paid for through a levy on households' energy bills
66	36	National Audit Office, Update on the rollout of smart meters , June 2023
67	36	SmartEnergyGB, A third of renters worried to ask landlords about making home improvements , March 2021
68	36	Ibid.
69	37	DESNZ, Improving Energy Performance Certificates: action plan - progress report , November 2021

