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Responses may be made public. To keep your response anonymous (including email addresses) tick the box.
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Just Transition to Net Zero Wales: Call for Evidence

Call for Evidence questions

When responding to the questions, please include reasons for your answers and any supporting evidence.

NB: we will only answer questions germane to CIOB's work.

Questions

Governance

1. **Do you have any evidence to show how the Well-being of Future Generations (Wales) Act 2015 has, or could be, used to inform a just transition?**

2. **What examples do you have of decision-making processes or guiding principles that could be used across public, private and third sectors to plan for and ensure a just transition?**

3. **Do you have any evidence on how we can best fulfil the public sector equality duty in pursuing a just transition?**

Impacts and Opportunities

4. **What evidence do you have on the main impacts and opportunities associated with meeting Wales's transition to net zero? Please provide evidence (or identify evidence gaps) for the short (2022 to 2025), medium (2026 to 2035) and long term (2036 to 2050).**

5. **Do you have any evidence to show what the well-being benefits and challenges for each sector could be?**

6. **What evidence do you have on how the transition in one sector may either accentuate or diminish a risk or opportunity in another sector?**

7. **What evidence do you have on the spatial impacts and opportunities across Wales?**

8. **What evidence do you have on the equality impacts of the transition? Where is there existing disparity which could be addressed via transition? What are the risks which need to be managed?**

Ensuring equitable access to net zero technologies, funding, and retrofit schemes will be key to ensuring the success of wider net zero targets.

Fuel cost increases disproportionately for households living in thermally inefficient houses. As such, we know that those in fuel poverty tend to live in the most thermally inefficient properties in Wales. In Wales, around one in five homes has a Category 1 hazard present, meaning the home poses a risk to human health. This raises to over one in three for homes built before 1919 (which is over a quarter of the properties in Wales), though this number may have increased in recent years.[1] Not only are these properties hazardous to the health of their occupants, but these properties are less likely to be eligible for current retrofit funding schemes such as the Boiler Upgrade Scheme (BUS), due to heat pumps only working in properly insulated properties. Undertaking the necessary work to these properties is likely prohibitive to many in this demographic, and as such extensive engagement will be needed with these people to ensure they are accounted for in the transition to net zero.

Older people are also likely to fall into the above category, with around 18% of older people in Wales now living in relative income poverty.[2] This demographic is also typically viewed as being more reluctant to switch to greener heating technologies, though that is not the case: only 9% of people aged 70 and older described themselves as "not at all anxious" in a survey from the Office of National Statistics, and 24% of people over 70 describe themselves as "very worried" about the climate crisis.[3] Older people may also be more inclined to want to leave something positive behind for their families and future generations. As such, assumptions that older people do not want to be part of the transition to net zero need to be challenged, and the group needs to be properly engaged so they are able to do so.

Finally, those who live in rural areas may also struggle to decarbonise their properties. We explain more about this in the response to the next question (9).

9. **What evidence do you have on who is likely to be most affected by the transition?**

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[1] *The State of Older People's Housing in Wales (2023)*, p. 7
[2] *The State of Older People's Housing in Wales (2023)*, p. 8
[3] https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/threequartersofadultsingreatbritainworryaboutclimatechange/2021-11-05

We know that rural areas are likely to be more difficult to retrofit, and therefore left behind by any transition to net zero. This is due to myriad factors, including the lack of national grid capacity and as much as 19% of rural properties not being connected to the gas grid.[4] Rural properties also tend to be older than their urban counterparts, which means they are also likely to be stone-walled and poorly insulated.

All of this means that rural properties and their occupants are priced out of current retrofit schemes, including the Boiler Upgrade Scheme (BUS). This scheme offers a maximum of £6,000 to install an electric heating system, but research has shown that rural owner-occupiers may have to pay as much as £24,000[5] on top of this funding to carry out extensive Repair, Maintenance, and Improvement (RMI) works, such as insulation alongside the actual heating system installation.

On contributory schemes such as the BUS, these properties risk being left behind in the move to decarbonise. Rural properties need a more targeted approach, with more funding available. CIOB has called for a 'Help-To-Fix' loan scheme: a 0% loan from Welsh Government or privately funded by trusted partner organisations of which these properties – and others across Wales – could take advantage.

Funding, however, is only part of the problem. We also know that the capacity of the National Grid in Wales is insufficient to fully support a switch to electric and decarbonised heating. Electrifying the housing stock is likely to put strain on the national grid beyond its current capacity[6], and that is especially true in rural areas where grid capacity is already strained[7]. While the Welsh Government has allocated over £650m in the Welsh electricity distribution network between 2023 and 2028[8], it would perhaps be more prudent to examine alternatives to grid reinforcement, for example by deploying energy storage in rural areas[9]. Using energy storage is likely to be a quicker solution than increasing grid capacity in these areas and remove one hurdle to allowing households in rural areas to access decarbonisation schemes like the BUS.

Failure to engage with occupants in these areas and decarbonise their properties will leave large swathes of Wales reliant on fossil fuels at a time when everyone needs to be switching away from them.

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[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/946968/sub-national-electricity-and-gas-consumption-summary-report-2019.pdf (p. 27)

[5] https://hansard.parliament.uk/Lords/2022-04-04/debates/E09CB3C8-D3F8-4CEF-9E25-65598FE50B4F/BoilerUpgradeScheme(EnglandAndWales)Regulations2022 (Column 278GC)

[6] https://www.frontiersin.org/articles/10.3389/fenrg.2018.00103/full (para. 2)

[7] https://committees.parliament.uk/writtenevidence/107557/pdf/ (p. 2)

[8] https://gov.wales/welsh-government-and-network-operators-work-together-plan-uk-first-integrated-energy-grid-net-zero

[9] https://committees.parliament.uk/writtenevidence/107557/pdf/ (p. 3)

10. **Who are the key actors, governance, regulatory/policy, and technological drivers and inhibitors for transition of each sector?**

The key actors for the construction sector, needless to say, are the workforce. The industry faces a continuing staffing crisis in Wales, with CITB estimating that an additional 9,100 works will need to be recruited in Wales between 2023 and 2027.[10]

In our forthcoming *Real Face of Construction* research, Welsh construction professionals also note that they find it difficult to hire staff and tender companies in remote areas of Wales, and that SMEs continue to lose staff to higher paying companies in England or for large projects in more urban areas of Wales.

11. **Do you have any other evidence that will help identify the impacts opportunities across our emission pathways or are there evidence gaps?**

Support for Just Transition

12. **What evidence do you have that demonstrates the role of finance and/or social infrastructure in facilitating or delivering a just transition?**

We have already outlined concerns with current funding schemes, such as the BUS. These concerns are reinforced with the poor uptake: between May and December 2022, the scheme had only provided funding for 6,271 heat pump installations, well below the 18,000 installations needed per year to achieve the UK Government's five-year aim of 90,000. A recent poll conducted as part of CIOB research also showed that only 30% of respondents had even heard of this scheme.[11]

Despite this, finance has an integral role to play. The issue with schemes such as the BUS is that recipients will still need to pay out of pocket on top of the funding they receive to install a heat pump or biomass burner which is less likely to happen in the current economic context.

Applicants to BUS funding also have little choice as to what heating technology they are able to install. This is slightly counterintuitive given that heat pumps are a relatively unproven technology, and may not be an appropriate heating system for many properties in Wales and the rest of the UK given the aforementioned age and disrepair of many of these properties. Any future scheme should adopt a technology-agnostic approach, allowing property occupants to choose a heating technology that is right for their needs, and their property needs,

[10] https://www.citb.co.uk/media/edsoltu2/csn-lmi-wales.pdf (p. 3)
[11] Real Face of Construction, Forthcoming

adopting a fabric-and-people first joint approach in consultation with a trusted professional and in line with a property survey.

13. What evidence and information is there across Wales to identify and develop required net zero skills?

CIOB has long been developing policy and learning in this area. We frequently run CPD and events for members in Wales – as well as across the rest of the UK and globally – that cover this area.

In particular, our Academy offering has a wealth of knowledge on sustainable construction and development in the form of online CPD programmes. These are available to free to CIOB members, or relatively inexpensively for non-members. We are continuing to develop our academy offering, especially in this sector, as we and our members are aware of the hill we have to climb.

Our policy output also focuses on sustainability and net zero skills, and forthcoming research – namely our updated *Real Face of Construction* report – has extensive input from members on this topic, and a 'view from the ground' as to how to the industry can develop the skills it needs in partnership with government.

14. What evidence is there to demonstrate the additional support and information needed to identify and develop required net zero skills?

We welcome Welsh Government's Net Zero Skills Action Plan and look forward to contributing to its success. This is precisely the kind of long-term, joined up policy that CIOB has called for in the past.

From an industry perspective, perpetual volatility in demand for construction has led firms, particularly SMEs, to curb capital and education investment, because spending on research and development (R&D) brings high fixed costs that are difficult to cut in an economic downturn. Accordingly, lack of available finance is a major stumbling block for SMEs investing in tools and skills that could help to decarbonise work practices. Creating a Green Skills Fund to channel low cost, long-term loans to SMEs specifically for investment in formal, sustainability focussed R&D would address this, and lead to sector wide improvements in sustainable practices. A similar fund exists in Holland, where the MKB+ (Innovation Fund for SMEs) gives construction firms access to finance to embed innovative new products, services, and processes in their business.

This may go some of the way to plugging the skills gap: by ensuring continued funding, employers will know that they have the money to pay for additional staff, or to fairly pay their newly upskilled staff, to minimise the risk of them taking a higher-paid job elsewhere.

This would also help to embed the aims of the Net Zero Skills Action Plan across businesses in Wales, and keep essential skills in Wales.

A long-term national retrofit scheme would also give businesses in Wales the security that there is long-term work available for them, incentivising the use of green skills and upskilling of their workforce.

15. **Are there any particular gaps in supporting a just transition?**

We have already covered two of the main gaps for the industry: funding and skills. Both are equally as important to ensure the construction industry in Wales can positively contribute to net zero targets.

To this point, however, the Welsh Government has not examined the use of council tax or Land Transaction Tax (LTT) to incentivise retrofit in the owner-occupier housing tenure. Given the pressing need to incentivise homeowners in Wales to decarbonise their properties, this is an avenue that should be re-explored.

CIOB recently published a proposal on how to use the stamp duty system in Ireland and Northern Ireland to stimulate a 'green flipping' ecosystem. This proposal involves investors deferring their stamp duty payments on properties they intend to refurbish, retrofit, and resell, at which point the stamp duty is paid. This could work just as well in a Welsh context with the LTT system.

Welsh Government should also look at routes to incentivising developers to retrofit properties, instead of demolishing buildings to rebuild anew. Our policy proposal *Levelling the playing field* gives one example of how to do this. This move away from the cycle of destroy/rebuild in the construction industry, as well as being in line with Welsh Government policies such as *Wales Innovates*, will be key to ensuring the sector can contribute positively to decarbonisation targets, and that the sector itself and construction as a process can be as sustainable as possible. In lieu of VAT reform from the UK Government – which places 0% VAT on demolition, but 20% on Repair, Maintenance, and Improvement (RMI) and retrofit work, therefore making the former a more attractive proposition – the Welsh Government could act within its legislative competence and implement a 20% demolition levy in Wales. This could create an additional funding stream, which could be funnelled directly back into retrofit schemes across Wales. This levy may also have the additional benefit of encouraging great upskilling of the workforce, with green skills centred on retrofit and reuse of buildings at its heart.

16. **What evidence do you have to show effective involvement of people, communities and organisations to enable their participation in developing and implementing a just transition? Including, enabling**

participation that fully represents the perspectives of diverse communities in Wales and specifically those with protected characteristics?