



Bankers for NetZero

Forging policy and practice for the future

The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer

Cc: The Rt Hon Michael Gove MP, Secretary of State Levelling Up, Housing and Communities &
The Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy

By email

25th October 2021

Dear Chancellor,

We are writing today with regard to the recently published Heat and Buildings Strategy.

This is a topic on which Bankers for Net Zero has been engaging with banks and industry for the last 12 months, and we welcome the strategy as an important first step on the path to net zero. In particular, we are encouraged to see the strategy recognise that, in order to decarbonise homes and buildings cost effectively:

1. It is vital to take a whole-buildings and whole-system approach;
2. Public investment can and should be used to drive down the costs of key technologies;
3. Crowding in private finance is essential to reach the speed and scale of transformation we need.

We remain concerned that the measures outlined in this week's Heat and Buildings Strategy only go part of the way towards delivering on these principles. More is needed to give clarity and confidence to the market, enabling finance, industry and property owners to play their part in meeting the UK's net zero ambitions.

We published a paper setting out key recommendations earlier in the year (available [here](#)). This includes concrete recommendations for how to deliver on the principles above. In particular, we call for:

1. Public investment to be targeted (more than is currently the case) towards "deep retrofits" that get buildings net zero-ready in one go.
2. The UK Infrastructure Bank to play a major role in "crowding in" private finance by offering loan guarantees for large-scale retrofit projects.



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3. Greater clarity and certainty on how minimum energy efficiency standards for all building types will ratchet up over time.

Finally, for the Heat and Buildings Strategy to succeed, it must be underpinned by a set of fiscal measures designed to incentivise investments in decarbonisation – in the built environment and beyond. Specifically, we urge the Treasury to:

- Scrap VAT on energy-saving and low-carbon products.
- Introduce a stamp duty incentive to make energy efficient, low carbon homes cheaper to buy – and to drive a long-term value differential in favour of such homes in the property market.
- Extend enhanced capital allowances for investments in renewable energy, energy efficiency and low-carbon heating solutions beyond 2023 when the super-deduction expires.
- Ensure that the “polluter pays principle” is applied to CO2 emissions across the entire UK economy.

As representatives of the private finance sector, we are eager to engage with you to turn these principles into joined-up policy and action that can truly kickstart a ‘Retrofit Revolution’ that delivers social, economic and environmental benefits up and down the country.

We’d be most grateful for your time to discuss this further.

Yours sincerely,

Bevis Watts, Chief Executive Officer, Triodos UK

Claire Tracey, Chief Strategy and Sustainability Officer, Nationwide

Mikael Sørensen, Chief Executive Officer, Handelsbanken UK

Dr Oliver Prill, Chief Executive Officer, Tide

Sarah Gordon, Chief Executive Officer, Impact Investing Institute



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