How can the Private Rented Sector act as a barrier for future energy consumers?

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Why is the Private Rented Sector (PRS) important for energy?

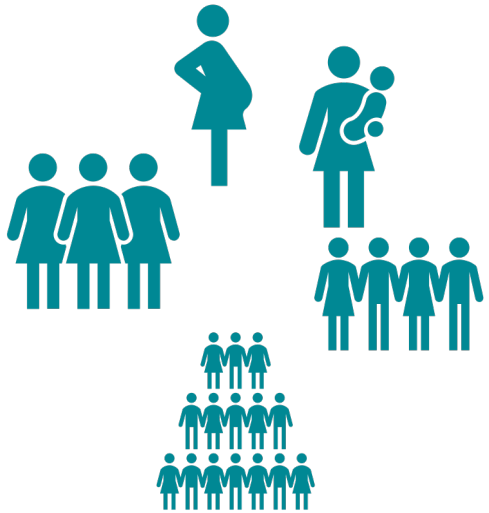
- PRS is growing
- Number of households in PRS now greater than in social housing
- Compared to social housing, in PRS
  - Less secure tenure
  - Housing stock more variable quality – bad for wellbeing and more expensive to heat
  - Less space – for smart appliances etc
  - Weaker regulation – no regulation that defines a minimum standard for property deemed suitable for letting. Current methods for assessing property quality do not correlate with other property condition measures eg. EPC ratings
- Ensuring future energy markets deliver for people in the PRS is not only a question of social justice but also vital to ensure we hit Net Zero targets

Energy consumers and the PRS – A complex picture

Variable	Possible examples of barriers for energy consumers		
	Short-term	**Medium-term**	**Long-term**
Tenants: depends on life-stage / housing biography. Growing number of 'middle market' renters	• Affordability • Insecurity – jobs & tenancies • Multiple occupancy - control • Unregulated letting agents & other Third Party Intermediaries • Language (~80% recent migrants live in PRS	• Financing, leasing, credit histories etc for electric vehicles; smart kit, storage etc • Complex time of use tariffs etc • Peer to peer trading hard with insecure tenancy	• Heat pumps – disruption & cost • Hot homes – cooling costs • Bundled services – difficult to make choices • Complex redress
Landlords: difficult to generalize – lots of sub-markets	• Affordability (~89% PRS individuals/ couples) • Security of income	• Complex contracts	• Complex liabilities
Housing stock: existing & new-build	• Cold & leaky homes - over ¼ PRS fails to meet Decent Homes Standard	• Electric vehicles – lack off-street parking to charge? • Storage – limited space?	• Future Homes Standard

Source: Sustainability First

For smart markets to work, need to align the interests of multiple actors - this is difficult in the PRS









DYNAMIC	VARIED	COMPLIANCE / LAGGING	MULTIPLE
• Tenants • Multiple-occupancy • Sub-letting	• Letting agents • Landlords • Builders & developers	• Welfare /benefits • Banks • Insurance companies	• Energy companies • EV and smart kit providers • Comms companies • Installers

Source: Sustainability First

Some key questions and rules of thumb

- Technology isn't the biggest problem for the PRS and future energy consumers
- Need to go back to basics and ask how can affordable warmth and cooling for PRS tenants be best delivered
  - Through smart markets?
  - Through other interventions?
  - And who should incentives, information etc be aimed at – tenants, landlords, financial providers, energy service/tech providers etc?
- Some rules of thumb
  - Keep it simple – this can be complex
  - Ensure risks sit with those best able to manage them & rewards shared fairly
  - If you can't align incentives, need interventions
  - Prevention often better than cure. Energy efficiency!!!
  - Use opportunities – Covid is a crisis but can be an opportunity to deliver co-benefits

What does Sustainability First want to see?

1. **Big bold Covid recovery package** – local energy / water efficiency retrofit programmes (longer than 1 year!), smart electric storage heating installations, EV charging, Full Fibre Broadband roll out, new build social housing. Needed for economic recovery but also to provide solutions at the scale and pace needed to reach Net Zero in 2050
2. **Improved building standards** – Future Homes Standard – linked to flexibility
3. **Minimum standards for letting & joined up regulation - ** in 2018, responsibility for renting split between 5 government Departments
4. **Inclusive by design innovation -** for new products and services aimed at PRS tenants
5. **Better consumer segmentation & data** – to improve targeting of interventions, so energy efficiency is reflected in rental values etc
6. **Trials of new commercial arrangements, leases & contracts -** aimed specifically at PRS (including share schemes etc) – testing & evaluation in real world critical
7. **Learn lessons of what works for PRS** – eg from EVs for heat pumps
8. **Joined up redress schemes** – with clear signposting from advice agencies as transient PRS tenants may be less aware of help available