

REPORT TITLE: COUNCIL HOMES – CARBON CREDIT TRADING

12 JULY 2023

REPORT OF PORTFOLIO HOLDER: Councillor Chris Westwood, Cabinet Member for Housing.

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WARD(S): ALL

PURPOSE

This report provides Members with information on a scheme called 'Retrofit Credits,' in order to generate additional investment by trading carbon credits earned from energy retrofit works carried out on council homes. The paper is a discussion paper and subject to comments and further due diligence it is the intention to report to September cabinet to seek authority to enter the scheme.

RECOMMENDATIONS:

That the Policy Committee are asked to note and comment on the scheme and whether it would support further work and due diligence so as to enable a report to be presented to cabinet at its September meeting.

## 1 RESOURCE IMPLICATIONS

- 1.1 The scheme is largely administered by the operators, however, there will be staff time required within the existing Property Services team to register those homes onto the scheme which have had, or are due to have, retrofit works carried out - and then to upload documentary evidence to the portal on completion in order to access the funding.
- 1.2 Whilst the staff time will be justified by the potential income, it should be noted that this is an additional process to be managed.

## 2 SUPPORTING INFORMATION:

### Background

- 2.1 'Retrofit Credits' is a scheme involving the enrolment of properties where a landlord has carried out, or is planning to carry out, retrofit works to improve the thermal efficiency and/or reduce the carbon intensity of a heating system.
- 2.2 'Retrofit Credits' has been developed by 'HACT' (Housing Associations' Charitable Trust) who have 60-years' experience as a social housing sector charity, driving social value and transformation. HACT work together with 'Arctica Partners' who have a decade of experience in the carbon credits markets.
- 2.3 To ensure environmental credibility, Arctica calculates the potential emission reductions using its methodology under the Verified Carbon Standard and HACT calculates the potential social impact via the UK Social Value Bank.
- 2.4 'Retrofit Credits' controls who buys each carbon credit as the scheme has an ethical framework to counter any concerns about 'greenwashing.'
- 2.5 'Retrofit Credits' is the only carbon crediting project for UK housing retrofit to be listed under the Verified Carbon Standard.
- 2.6 This innovative service unlocks additional funding by verifying emission reductions from investment in decarbonisation projects.

### Details of Proposal

- 2.7 WCC enrol housing stock where retrofit works have been, or are due to be, carried out to improve thermal performance, or reduce carbon from the heat source.
- 2.8 Arctica then calculate the potential emissions reductions using its methodology.

- 2.9 Once the retrofit work is complete, the home can be submitted for crediting. There is a set of required documentation, which the council will have to populate and submit.
- 2.10 Once a home is accepted for crediting, the number of credits achieved will begin to update daily on the portal.
- 2.11 Emission reductions are recognised from the date on which completed retrofit work is certified. Emission reductions are calculated per Heating Degree Day. (a measurement reviewed daily and designed to quantify the demand for energy needed to heat a building)
- 2.12 'Verified Carbon Units' (credits) are generated for emission reductions achieved during the prior crediting period (Example Jan 1, 2023, to Jun 30, 2023).
- 2.13 Credits are sold to buyers validated and enrolled in the service. A benchmark price is currently being established for the pilot.
- 2.14 The housing provider receives payment on an annual basis until 2042 for the credits created or can use the credits to compensate / offset towards its remaining emissions.

#### Conclusion

- 2.15 The valuable income from this source can be used for a number of purposes. As examples, the income could be used to support further retrofit works, offset other emissions, creating a fund for further community value (e.g., tenancy support) or a fuel poverty fund.
- 2.16 Winchester City Council's Retrofit Projects for period 2023 - 2025 has the following forecasted benefits (40% delivery year 1; 60% delivery year 2 (SHDF split)):

<b>Number of Homes Enrolled</b>	518
<b>Emissions Reduction (Projected)</b>	259.82 tCO <sub>2</sub> e/yr.
<b>Social Value (Projected)</b>	£124,520 /yr.
<b>Annual Credits (Projected)</b>	259.82
<b>Lifetime Credits (20yrs Projected)</b>	5,196

<b>Projected Annual Income (after 2yr delivery):</b>	£14,290 - £20,785
<b>Projected Total Income:</b>	£472,515 - £687,295
<b>Price Parameter – Initial Sale Pilot</b>	Approx. £55 - £80
<b>Price escalation/yr.</b>	Approx. 5%

2.17 Whilst the above projections have been provided by HACT based on WCC's initial proposed enrolment of retrofit works, it must be noted that these prices could rise and fall and cannot be guaranteed, as the scheme will be operating over a 20-year period and will be subject to usual market forces of supply and demand. Additionally, though, there is scope for future retrofit works to be registered, generating the associated additional credits, and greatly increasing potential income. For example, if another two years of retrofit work in the HRA were undertaken a similar level of carbon credits could be generated over the 20 year period. Members will be aware that at present the HRA has programmed over £ 1.5m a year to support retrofit work to HRA dwellings until 2032/33. Therefore, there will be the opportunity to potentially increase the amount of credits that could be generated.

2.18 Subject to comments from Business and Housing Policy Committee the intention will be to report to cabinet to seek authority to enter into the contract with HACT to obtain the benefits of the scheme.

### 3 OTHER OPTIONS CONSIDERED AND REJECTED

3.1 None - 'Retrofit Credits' is the only carbon crediting project for UK housing retrofit to be listed under the Verified Carbon Standard

#### BACKGROUND DOCUMENTS: -

##### Previous Committee Reports: -

None

##### Other Background Documents: -

None

#### APPENDICES:

None