

KAMMA

Month in Green

October 2022

The latest news on climate disclosures,
property decarbonisation, and the path
to Net Zero



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News Roundup

Every month, the Kamma team reviews the key stories related to **Property Zero**: the path to carbon neutrality for UK homes

Government 'mini-budget' misses an opportunity to improve the energy efficiency of UK homes through a national retrofit strategy

On Friday 23rd September, former Chancellor Kwasi Kwarteng delivered his so-called 'mini-budget' to Parliament and the nation. Dubbed the 'Plan for Growth', the fiscal statement had a three-pronged approach: reform supply in the economy, maintain a responsible approach to public finance, and cut taxes to boost economic growth.

What was the reaction?

The response was immediate and fractious. At the institutional level, in a drastic and unusual move, the Bank of England announced that it would start **buying government bonds** to 'calm markets' and prevent pension funds from collapsing. At the public level, according to a recent **YouGov** poll, the policies are the worst received since the Conservatives took charge in 2010, with over half of Britons expecting a negative financial impact on their family, and just shy of ten percent thinking that it would improve things.



Kwasi has since been ousted as Chancellor and replaced by Jeremy Hunt, who will set out his **Medium-Term Fiscal Plan** in November. In the meantime, while **Truss and Hunt have u-turned on several key policies**, many still fear that the interim budget will not do enough to protect millions of homes from falling into fuel poverty this winter. As the cost of living crisis is deepened by soaring energy prices, rising inflation and wage stagnation, we wonder: what does the mini-budget mean for the property sector?

What was included?

The announcement of **stamp duty cuts** was largely overshadowed by the question of whether additional provisions will be made to curtail rising energy prices. The Government's flagship policy on this matter to date was announced prior to the mini-budget in early September. Having commenced on 1st October, the **Energy Price Guarantee** now means that the typical UK household will be frozen at £2,500 per year. While rising by 27 percent on the previous typical annual energy bill (£1,971), the price cap is still a significant improvement on the **£3,549 price cap set by Ofgem in late August**. This was initially promised for the next two years, however Hunt has recently announced that the programme in its current form will end in **April next year and undergo review**.

The energy price cap freeze is 27% higher than last quarter, but 42% less than initially projected by Ofgem

No further provisions were announced in the House of Commons, however included in the smallprint was a new obligation on [energy suppliers to help their customers reduce their energy bills](#). This was built around the expansion of the [Energy Company Obligation \(ECO\)](#).

Why was it a missed opportunity?

Despite this addition to the statement, many in the housing sector are [calling it a missed opportunity](#). Since the war in Ukraine started in February and the world was plunged into an energy crisis, the cost of living and matters of rising fuel prices have been frontpage news. Unambitious policies are now unacceptable and the housing sector is becoming more vocal about making up for lost time. The answer is a national retrofit strategy that focuses on [retrofits and not rebates](#) that, while significantly improving access to energy efficiency measures, do not adequately support all of those most in need.

Investment in energy efficiency measures would help the Government, and the country, move forward on two fronts

1. Protect [12 million](#) of the most vulnerable households from fuel poverty
2. Make progress on the [levelling-up agenda](#) by putting in a strategy to decarbonise the UK's housing stock

There are nearly 30 million homes that contribute to [22 percent of the country's emissions](#). Retrofitting the vast majority of UK homes with fabric first upgrades, energy-efficient appliances and low-carbon heating systems is a major and costly challenge, hence why a long-term, properly-funded strategy is necessary to achieve the UK's Net Zero targets.

Kamma's Solution

Kamma's engine is built on mining and modelling hundreds of information sources to give the most complete view of a property's environmental profile



We're using our data to equip property-related businesses for the fight against climate change, delivering a pathway to net zero, navigating new and emerging risks, enhancing regulatory compliance, and identifying green growth opportunities. See our [Property Zero](#) update for more information.

News Roundup (cont.)

Using data on retrofits to combat fuel poverty

The UK needs a retrofitting revolution to tackle the energy crisis.



These figures may worsen as the new year approaches. As a result, local authorities and housing associations are scrambling to find solutions that help meet twin goals: protecting vulnerable residents and reaching net-zero.

While it is widely recognised that retrofit projects can help advance these goals, what social housing stakeholders sometimes lack clarity on is what effective retrofit strategies look like, their cost, and where the funding will come from.

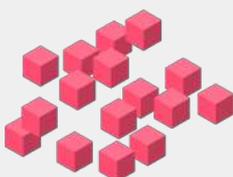
This needs a data-driven approach. Data is key in helping stakeholders make smarter retrofit decisions that improve energy efficiency, optimise retrofits, and tap into funding.

For example, unique, property-level data will dramatically strengthen applications for Help to Heat funding. Being made available through the Social Housing Decarbonisation Fund (SHDF) and Home Upgrade Grant schemes, Help to Heat is expected to support 130,000 low-income households and will run between early 2023 and March 2025. The £3.8 billion fund aims to deliver £800 million in improvements over the next 12 months, adding substantially to the budgets of housing providers.



Kamma's Solution

Applications for Wave 2.1 of the SHDF were launched on 29th September 2022 - access to this funding pot is contingent on social housing providers being able to accurately assess property portfolios



Kamma's data allows providers to identify under-performing properties, prioritise the most impactful improvements, and accurately estimate costs. Find out more by booking a demo with our team.

News Roundup (cont.)

Firms need to improve data and modelling capabilities ahead of mandatory climate disclosures in the autumn

Now is the time for eligible companies to accelerate preparations for mandatory climate disclosures in line with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. The two main bodies enforcing TCFD-aligned requirements are the [Financial Conduct Authority \(FCA\)](#) and the [Department for Business Energy and Industrial Strategy \(BEIS\)](#). How will eligibility differ between the bodies?

FCA

- Premium and standard listed companies in the UK under Listing Rule 9.8.6(8)R
- Comply with the highest standards of regulation and governance
- These companies should seek out TCFD's guidance

BEIS

- Apply to 1,300 of the largest-UK registered companies and financial institutions
- Includes companies with over 500 employees and £500 million in turnover
- The requirements apply from April 2022 and BEIS has since released guidance

As Q3 2022 closes and with the first disclosures due in January 2023, climate risk reporting is taking centre stage. The FCA recently updated its [guidance for compliance with TCFD](#) and the application of [scenario analysis](#).

To date, [few companies are demonstrating good practice](#). While the FCA has nodded to a grace period during which it expects most companies to only 'explain' whether they face transitional challenges, such as obtaining data and embedding modelling capabilities, it doesn't mean progress should be slow.

As outlined in our ultimate guide to the [Climate Biennial Exploratory Scenario \(CBES\)](#), mortgage lenders and other organisations need a nuanced and informed approach to data collection and modelling in order to make better lending, pricing and investment decisions. Improved reporting in terms of completeness and consistency with the TCFD framework will also have an immediate impact on how quickly and effectively the housing sector is able to decarbonise.

Kamma's Solution

Our bespoke reporting and analysis can help mortgage lenders, real estate funds, asset managers, consultancies and listed companies become fully compliant with climate disclosures



Kamma's method recalculates EPC emissions based on the latest carbon intensity factor data, taking real-time regional data from the National Grid. We also rightfully recognise the impact ground and air source heat pumps have on the carbon intensity factor of a home. Combined with industry-leading modelling capabilities, our clients have the most up-to-date data available to file TCFD-aligned climate disclosures.

Kamma's Recent Publications

A summary of Kamma's key insights, guides, and sector commentary published in September

The Next Generation of Securitisation

How data can meet investor demand for ESG credentials, educate investors and improve the efficiency of capital

New risks demand new approaches, and new data. Market forces in the form of climate regulations, ESG investors and customer preference are increasingly impactful. Whilst some investors are aware of these forces and demanding information on green credentials, others are either less aware or less concerned. This creates two new roles for data. The first is to accurately, objectively and effectively qualify assets, in order to answer investor questions. The second is to describe the risk in quantifiable terms, in order to educate the rest of the market.

[Read more](#)



Climate Biennial Exploratory Scenario (CBES): An Ultimate Guide for Mortgage Lenders

What mortgage lenders need to know about the CBES, the implications of climate risk on UK housing, and the role of data

The Bank of England's first CBES explores three scenarios modelled over the next 30 years predicting how financial institutions might respond to risks and the potential consequences of those decisions for UK households.

[Read more](#)

Minimum Energy Efficiency Standards (MEES): An Ultimate Guide for Letting Agents

An introduction to MEES, how they've changed, and what it means for letting agents

The MEES Regulations set a minimum energy efficiency level for domestic private rented properties. The regulations were first announced in 2015 and came into effect in 2018, forcing landlords to make energy efficiency and emissions performance improvements to their properties.

[Read more](#)



KAMMA KAST

Episode 2: Climate Change and Data
Andrew Knight, Global Data and Tech lead, RICS.

In this second episode of KammaKast, Kamma's CEO and Co-Founder Orla Shields is joined by Andrew Knight, International Data Standards Director at RICS (Royal Institution of Chartered Surveyors). Together, they discuss climate change, its impact on the built environment and RICS's Net Zero targets and initiatives.



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