



# RETROFIT CREDITS

Unlocking additional funding  
for housing retrofit

NHMF 23<sup>rd</sup> January 2024

## What is it



Funding for retrofit



Better homes for residents



Driving decarbonisation

RETROFITCREDITS is a new service that unlocks investment in social housing retrofit by verifying the emission reductions and social value of retrofit projects.

In 2021, UK businesses and organisations (or those with emissions in the UK) funded the reduction of 14.9 million tonnes of emissions by investing in projects outside their carbon footprint. That's more than the total emissions of the social housing sector. Yet none of that investment is currently directed to retrofit projects in the sector.<sup>1</sup>

RETROFITCREDITS connects this investment in decarbonisation projects, with the social housing sector's increasing retrofit ambitions, by originating carbon credits backed by the emission reductions and social value.

<sup>1</sup> [Supply and Demand in the UK Voluntary Carbon Market \(Allied Offsets\)](#), 13 October 2022'

## What makes it different?



**Social Value:** RETROFITCREDITS incorporates social value measures into the credit value - demonstrating that retrofit not only reduces greenhouse gas emissions in the long term but also creates social value for residents and communities.



**UK Impact:** RETROFITCREDITS presents a unique opportunity for businesses with UK operations to have a positive impact on the lives of residents in the communities they operate.



**Innovative:** RETROFITCREDITS is the only carbon crediting project for housing retrofit globally to be listed under the Verified Carbon Standard, the world's leading certification programme for emission reduction projects.



## How it works

1

### DECARBONISATION

Local authorities enrol housing stock where retrofit works could improve the thermal efficiency of the home and/or reduce the carbon intensity of the heating source

2

### CALCULATE REDUCTIONS AND SOCIAL VALUE

PNZ Carbon calculates the potential emission reductions and projected funding from [RETROFITCREDITS](#)

HACT calculates the social value generated by the retrofit works using the UK Social Value Bank

The social housing provider uses the projected funding to inform their investment case for retrofit activities

3

### CREDITS & SALE

Once retrofit works are complete, PNZ Carbon verifies the emission reductions and originates Verified Carbon Units ([RETROFITCREDITS](#))

PNZ Carbon and HACT manage the sale of the [RETROFITCREDITS](#)

The local authority receives payment for the emission reductions and social value created

**20x**  
Each tonne of CO<sub>2</sub>e reduced is eligible for up to 20 years of crediting

## Pilot Numbers

### Pilot



6716

Pilot homes



1481

Pilot credits



£107,426

Gross income  
from pilot



£867,635

Social value  
from pilot

### Annual



4900

Proj. annual  
credits from pilot



£355,000

Proj. annual gross  
income from pilot



£2,900,000

Proj. annual  
social value

### Lifetime



£7,400,000

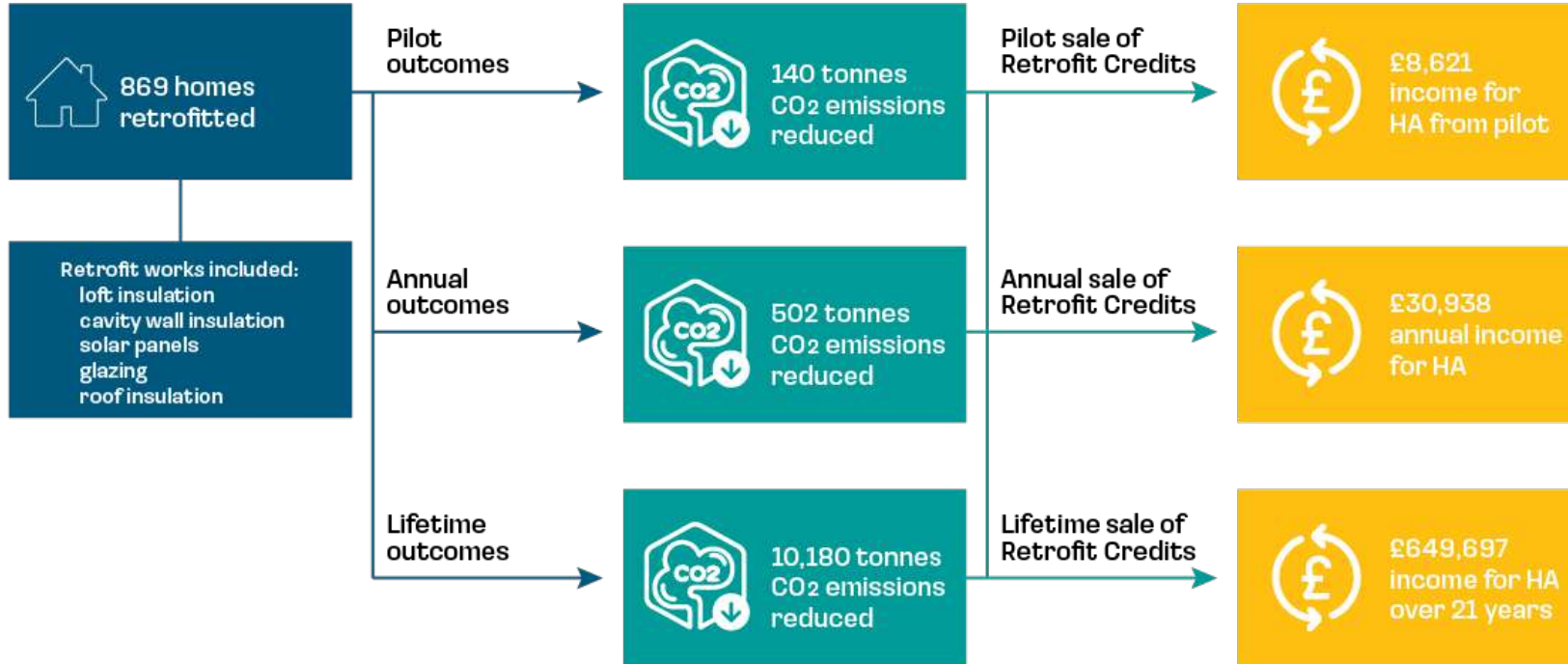
Proj. lifetime gross  
income from pilot



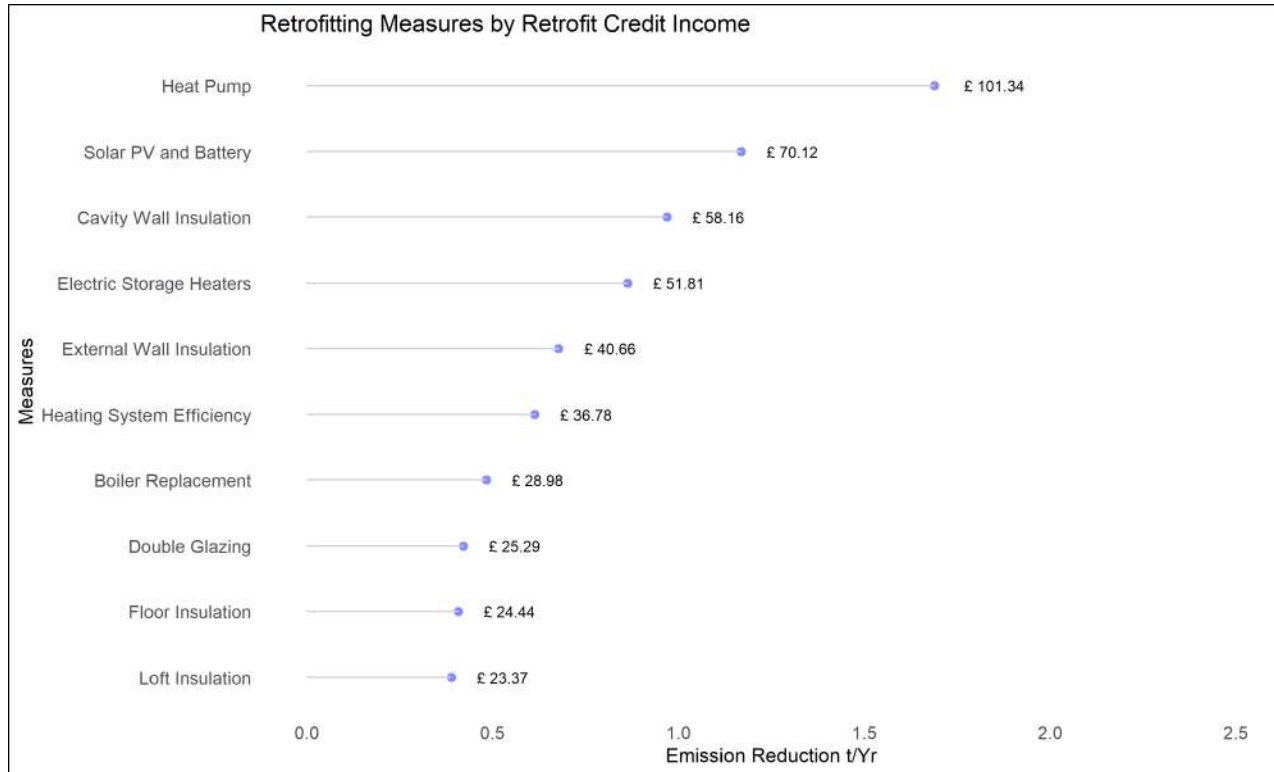
100,000

Proj. lifetime  
credits from pilot

## Project example



## Funds generated per retrofit measure





# UK Social Value Bank and retrofit credits

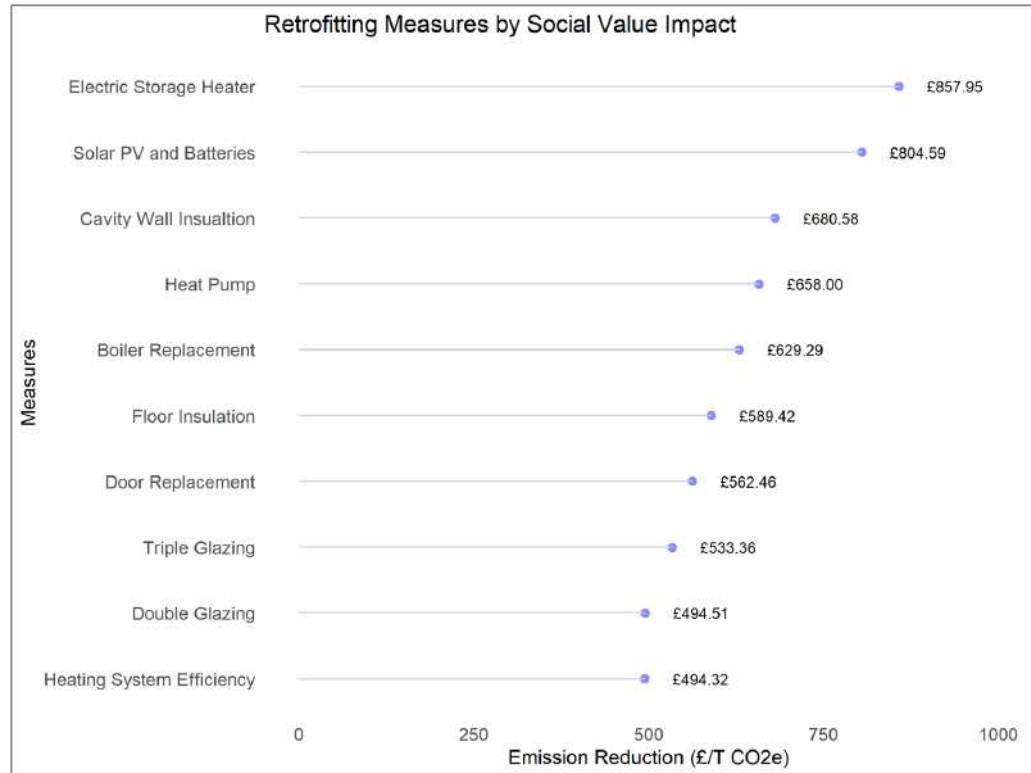


88 wellbeing and exchequer valuations based on impact on the individual.

For example improved EPC rating and reduction in pollution impacts positively on wellbeing, health and creates an exchequer (public purse saving), as well as environmental benefits



## Social Value Impact per retrofit measure



## Next cycle numbers



18,551 homes



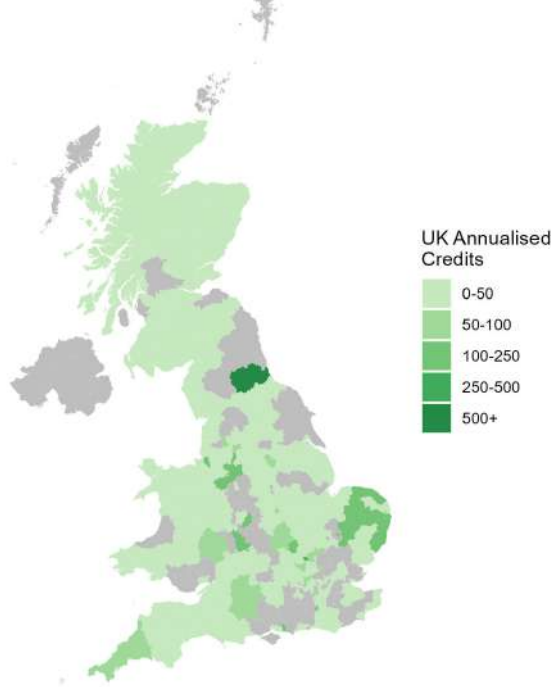
11,977 credits



£6,950,000 in social value

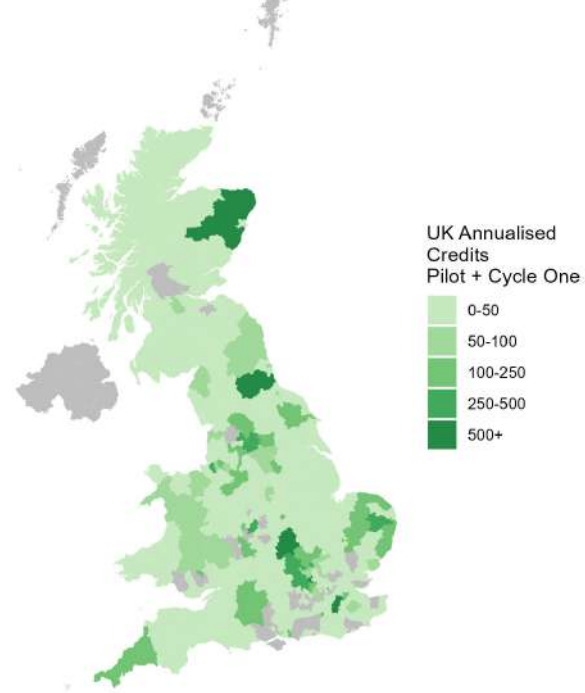
## Location of Retrofit Credits in the UK

Pilot distribution



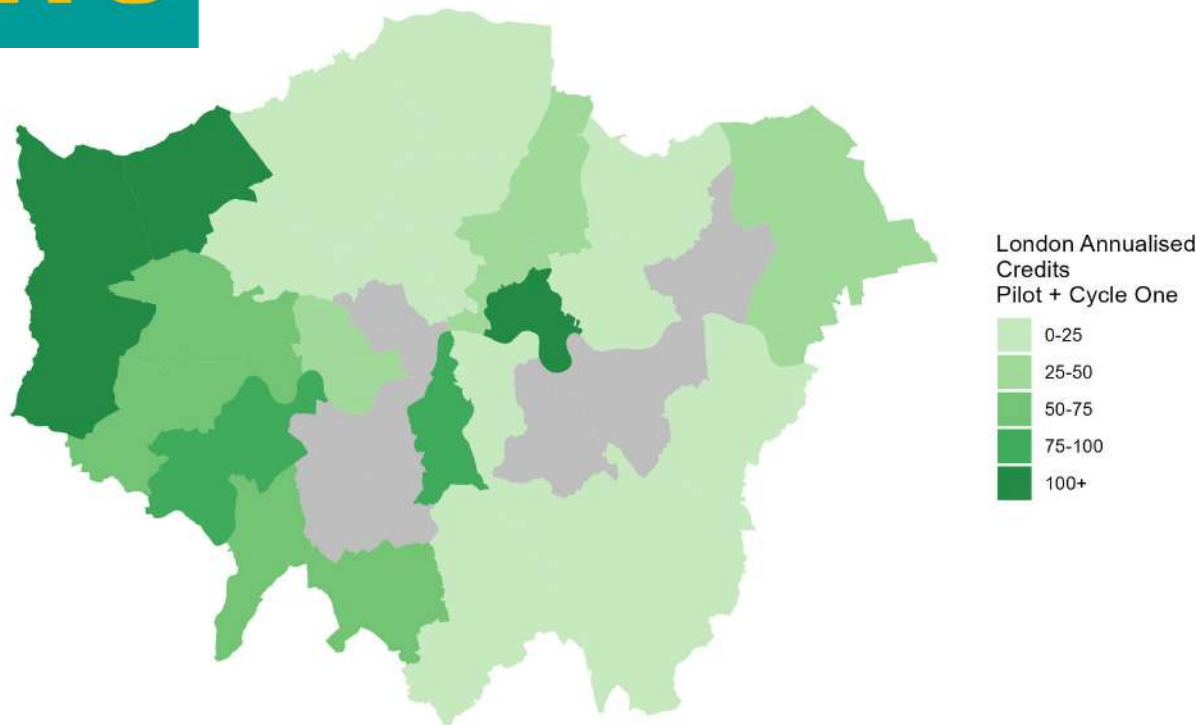
753 postcodes

2023 distribution



1394 postcodes

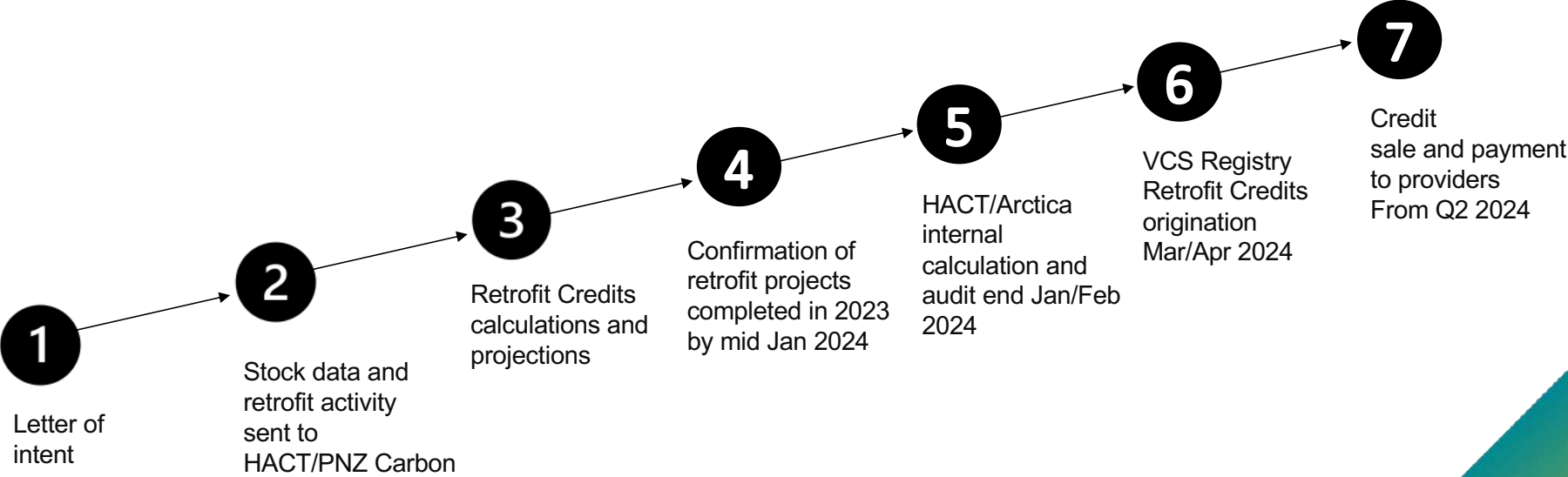
## Location of Retrofit Credits in London



Localised maps to demonstrate placed based impact



# RETROFITCREDITS Key milestones for next cycle of crediting



## Key information of the service

### Data and information required

Data to be sent via the template provided

- Matching fields on the template
- Lowers cost of the service
- Data cleansing may have a fee added if necessary

### Documentation information

Documentation required of certification of completion through one or more of the following:

- PAS2035
- Building Regulations Compliance Certificate
- Gas Safety Certificate
- Energy Performance Certificate
- MCS Certificate (for PV)
- Declaration of work carried out by a person registered with a competent person scheme<sup>1</sup>
- Post work EPC (if available)



## Buyers

- **The Economist Group,**
- **Berkeley Group,**
- **Unity Trust Bank, and**
- **Ibstock**

All securing significant portions of Retrofit Credits from the pilot and beyond

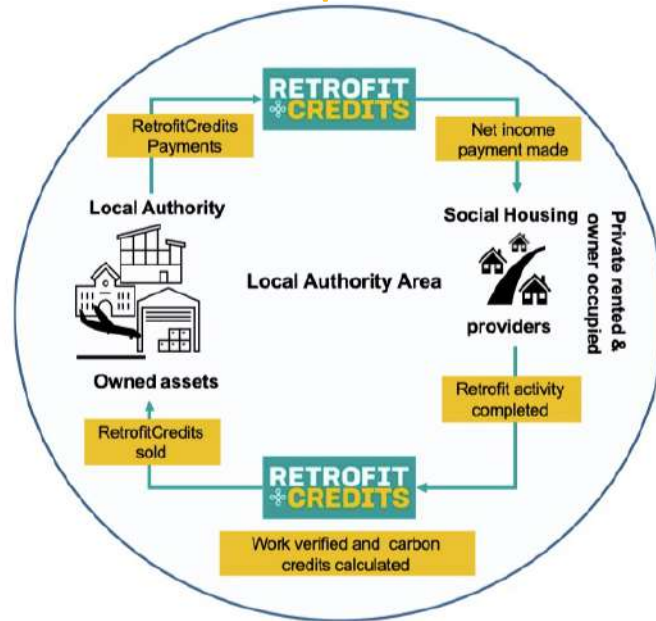
Other organisations, including **Chirpy Heat, The PSC, Igloo, Hunters, and Kinovo**, have also shown their support of Retrofit Credits

We have taken measures to mitigate against both green washing and reputational risk for providers. This is done in two ways, the first one is that we don't sell the Retrofit Credits on the open market, and secondly, we have also developed an ethical framework, to ensure that the potential buyers keep the integrity of the service.

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## Future development of the service

- Placed based circular model



- Expansion of the methodology to cater for schools, hospitals, civic buildings and other non-residential
- Securitisation where buyers, typically corporates look to offset their carbon emissions, would buy Retrofit Credits for a defined period often for up to 10 years or even more. The funds from the sale of the credits would be paid to the housing provider or owner as an upfront lumpsum





## SHDF & other sources of grant funding

- Grant funding sources rarely cover the full cost of retrofit.
- Carbon saving can be calculated for the property and then the amount of carbon credits generated reduced proportionally
- BEIS/DESNZ are supportive of the scheme

## Other considerations



## Carbon Crediting

- Unlike other forms of carbon crediting, CO2 saving only calculated on completed works
- Providers sell the carbon saved to generate income
- This does not mean they are not decarbonising – it means they also offset their own reduction until a later date but will have a greater impact then.
- In 2042, all carbon credits will no longer be monetised and will revert back to the provider where they can be used for offset purposes

# Thank you

# RETROFIT CREDITS

For more information please contact:

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