



Retrofit Credits Project FAQ's

1. How does selling credits to raise carbon finance interact with Sustainability Performance Targets under Sustainability Linked Loans?

For the purpose of this FAQ, we refer to the model clauses for Sustainability Linked Loans which incorporate the Loan Market Association's May 2020 Sustainability Linked Loan Principles, see [Sustainability Linked Loans](#), November 2021.

The model clauses provide guidance on how borrowers should determine and report GHG emissions for the purpose of Sustainability Performance Targets under Sustainability Linked Loans. Under the model clauses, which incorporate the [Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard, Revised Edition 2015](#), borrowers report GHG emissions as a gross figure separately and independently of any credits sold to raise carbon finance. Information about credits sold to raise carbon finance is accounted for separately under 'optional information'.

2. How does selling credits to raise carbon finance interact with carbon emission and Net Zero reporting?

BEIS has issued guidance on how to account for selling carbon credits under the Streamlined Energy and Carbon Reporting ([SECR](#)) Requirements (see: [Environmental Reporting Guidelines](#), March 2019).

Under SECR organisations report GHG emissions as a gross figure. Where organisations raise carbon finance by selling credits, these emission reductions are accounted for in a separate net figure. The net figure would include other actions the organisation takes such as buying credits and selling renewable energy generation.

A worked example from BEIS Guidance:

	2022-2023	2023-2024	2024-2025
Tonnes CO2e	S1, S2, S3	S1, S2, S3	S1, S2, S3
Gross emissions	89,510	87,390	84,120
<i>Exported renewable electricity reduction</i>	(310)	(300)	(320)
<i>Offsets bought</i>	0	0	0
<i>Offsets sold</i>	200	330	450
Net emissions	89,400	87,420	84,250

3. Is this project compatible with the Social Housing Decarbonisation Fund, and other sources of grant and investor funding?

Yes, RETROFITCREDITS is an eligible source of co-funding to meet the balance of the eligible expenditure not supported by the grant. The SHDF, based on BEIS' latest guidance and its draft Grant Funding Agreement for successful Wave 2.1 bidders, requires at least 50% of costs to be co-funded by the housing provider or provided by third-party sources.

This is easy to navigate through the RETROFITCREDITS portal: simply inform us of the measures funded and level of funding from SHDF and we will arrange RETROFITCREDITS funding for the co-funded amount. BEIS has set out a process for notifying the source of third-party funding in section 4.7 of the Draft Grant Funding Agreement for SHDF Wave 2.1.

Income from RETROFITCREDITS can be used without cap to fund expenditure not eligible for SHDF funding.

4. How does the project calculate the reduction in carbon emissions?

Emission reductions calculations are based on the Government's Standard Assessment Procedure (SAP) for measuring the energy performance of homes. The data underlying the SAP assessment is used to determine the heat load and electricity demand in the baseline (before retrofit activity) and after project activity (following the installation of each retrofit measure). The resulting change in energy demand is converted to emission reductions (measured in tCO₂e).

While the approach is based on data and calculations from SAP, the resulting emission reductions may differ slightly from a provider's own modelling or the outcome of a subsequent EPC assessment. This can result from RETROFITCREDITS use of more accurate carbon factors for the conversion of energy demand to emission reductions, adjustments made to account for changes in the external climate over time (heating degree days) or RETROFITCREDITS quality assurance process which adjusts calculated emission reductions where a significant discrepancy occurs between the reductions based on SAP and the actual reduction in energy consumption observed from group of retrofitted homes.

5. How do you ensure that retrofit credits are supporting additional investment in decarbonisation?

Additionality is an important characteristic of RETROFITCREDITS because it indicates that they represent a net environmental benefit and a real reduction of emissions. To qualify for the issuance of Retrofit Credits, retrofit activity must result in emission reductions that are more than what would be achieved under a business-as-usual scenario—known as “additionality”.

RETROFITCREDITS uses a rigorous performance benchmark which is defined as the annual percent savings in energy consumption that is achieved by the top 10% of homes across the country. To be eligible for crediting as part of this project, a home must be retrofit to achieve a percent savings in emissions of greater than this performance standard. Additionality is assessed for each home included in the project.

The performance standard is designed to ensure that the level of the performance benchmark automatically becomes more stringent with increasing levels of housing retrofit activities.

6. How can you ensure credits are sold to buyers that meet the social housing sectors ethical standards, and are making meaningful steps towards reducing their own corporate emissions?

Unlike other carbon offset projects, **RETROFIT**CREDITS will not be sold on an open marketplace. One of the pilot aims is to work with social housing providers to establish the ethical and governance framework for buyers that will determine which buyers are eligible to purchase credits through the service.

Housing providers will have a say in who buys the credits generated by their retrofit projects, and the buyers we are engaging are those seeking to build a long-term relationship with the sector.

7. Are you accepting enrolment from Scottish housing providers?

Yes. We are accepting enrolment of housing stock in England, Wales, and Scotland.

Our methodology was originally focused on England and Wales due to differences in the availability of data for Scotland. We now expect to be able to include Scottish homes in our first crediting cycle in December/January.

External validation of our methodology for Scotland will take place concurrently with the December crediting cycle so there might be a slight delay as we complete that process. In the meantime, we encourage Scottish providers to enrol in the service.

8. Should I enrol stock that I am seeking funding to retrofit in years after 2022?

Yes. We are currently working with housing providers to arrange **RETROFIT**CREDITS funding across multi-year retrofit programmes. For every home enrolled we can provide a projection of the potential number of carbon credits, the associated social value and the projected funding available from **RETROFIT**CREDITS.

9. What data is required when stock is enrolled in order for initial projections of the potential emission reductions, social value and **RETROFITCREDITS revenue to be made?**

To enrol a home in the service we need the following data:

Stock details: the first line of the address, postcode and ideally the property reference number (UPRN) if it is available and has been mapped to the homes. If we are provided with an internal reference number for the homes then this can make referring back to the individual homes easier.

Retrofit measures: details of measures that are proposed to be installed. If not available, we can provide projections based on the possible measures that might be undertaken for the enrolled homes.