



RETROFIT CREDITS

Harnessing the carbon
markets and social value to
decarbonise social housing



RETROFITCREDITS

RETROFITCREDITS is a new service that will unlock 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.¹

RETROFITCREDITS will provide a channel for investment in social housing retrofit by verifying the emission reductions and social value of housing retrofit projects and originating carbon credits backed by those emission reductions. It will centre the impact of these retrofit activities on residents and communities by incorporating social value metrics so that the funding unlocked through carbon credits doesn't just reduce carbon but also improves lives.

HACT and our project partner, Arctica Partners, have developed a methodology to measure the carbon savings and social value created through retrofit activity. We will be accredited to originate carbon credits under the Verified Carbon Standard, the world's leading programme for the certification of emission reduction projects.

This service will enable retrofit programmes that would otherwise remain economically unviable, addressing the systemic challenge of affordability in achieving social housing retrofit.

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



RETROFITCREDITS How it works

1

DECARBONISATION

The housing provider enrolls 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

Arctica calculates the potential emission reductions using its methodology and projected funding available from [RETROFITCREDITS](#)

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

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

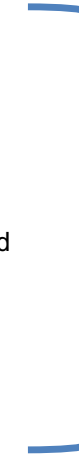
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CREDITS & SALE

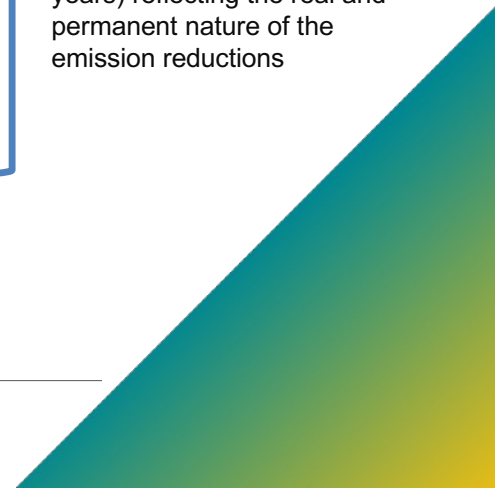
Once retrofit works are complete, Arctica originates [Verified Carbon Units \(RETROFITCREDITS\)](#) with Verra Registry backed by the certified emission reductions. This ensures the uniqueness and integrity of the credits issued.

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

The housing provider receives payment for the emission reductions, and social value created or uses the [RETROFITCREDITS](#) to compensate for their unabated emissions.



21x
Each tonne of CO₂e reduced is eligible for up to 21 years of crediting ([RETROFITCREDITS](#) are issued annually for up to 21 years) reflecting the real and permanent nature of the emission reductions





RETROFITCREDITS Why this is different

Whilst other schemes for investment in emission reduction projects view each tonne of carbon reduction as fungible, this service focuses on the outcomes of the people who live in the homes and communities where retrofit works are taking place.

Relying solely on emission reduction metrics as a measure of success risks funding projects that can harm people and communities. Instead, this service incorporates social value measures into the credit value - demonstrating that retrofit reduces greenhouse gas emissions in the long term and creates social value for residents and communities.

Who are the buyers?

RETROFITCREDITS can be used for two purposes – for social housing providers to value their emission reductions through retrofit and for sale to **buyers looking to fund projects that reduce greenhouse gas emissions and have a demonstrably positive social impact.**

The credits will not be traded on the open market. Instead, HACT and Arctica will arrange the sale of RETROFITCREDITS to pre-registered and vetted buyers. We have already had preliminary conversations with interested buyers, including those already working with the social housing sector to build homes and FTSE 100 companies looking to have a measurable and verifiable environmental and social impact in the communities they operate across the UK.

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 housing provider.



RETROFITCREDITS How you can get involved

Enrolling your retrofit projects in the pilot

It's easy for providers to enrol in the pilot. HACT and Arctica will take care of the rest, and you'll be helping us to develop a tried and tested service for the sector.

We are aiming to achieve 3,000 tonnes of emission reductions through the pilot.

For an overview of how to join the project see slides 12 onwards.

Your involvement in the pilot will enable us to:

- **Test the service at scale:** We've already run the numbers on a few homes but need to test the service at scale across the UK.
- **Better understand the link between housing retrofit and social value:** We already know there is a link between a home's energy efficiency and its residents' wellbeing. Through the pilot, we want to explore other ways retrofit, if delivered correctly, improves the lives of residents. The pilot will conduct a more in-depth social value analysis on a sample of homes.
- **Develop the MVP on our online platform and processes for full deployment:** We want to ensure this service is easy and efficient for all stakeholders. Your involvement will help design and develop an online platform to enroll retrofit projects; calculate emission reductions, social value and fuel cost savings; and manage the corresponding [RETROFITCREDITS](#).



RETROFITCREDITS Verified Carbon Units + Social Value

A certified product for the social housing sector

HACT and our project partner, Arctica Partners, have developed a methodology to measure the carbon savings and social value created through retrofit activity.

To ensure the environmental integrity of the issued credits, this service has been developed under the Verified Carbon Standard, the world's leading certification programme for emission reduction projects.

Certified energy assessors will calculate emission reductions using a methodology subject to peer review, public consultation and ongoing audit.

RETROFITCREDITS will be Verified Carbon Units issued by Verra Registry, which tracks the credits using unique serial numbers to prevent double counting.

The UK Social Value Bank and retrofit

The new UK Social Value Bank has been developed by the social housing sector and includes outcomes for the health and wellbeing impacts of improving the energy efficiency of homes.

RETROFITCREDITS have an attached social impact value calculated using the UK Social Value Bank. This can be aggregated to measure the impact of energy efficiency programmes at neighbourhood, place and national levels.

We have calculated the average social value return on a **whole house retrofit** to be:

£4,640 in social value / year

Or an average social value return of £1,592 per tonne of emissions reduced / year.



HOUSING DECARBONISATION IN THE UNITED KINGDOM

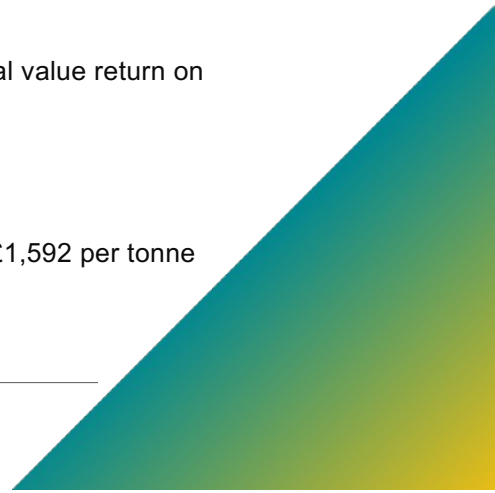


arctica partners



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RETROFITCREDITS Who benefits?

1

SOCIAL HOUSING ORGANISATIONS

Based on current projections, up to £7,000 worth of credits could be generated for a whole-house retrofit project across 21 years.

With the cost of retrofit estimated at £40,000 per property, this additional income could make a real difference.

2

RESIDENTS

With rising energy costs, the risk of fuel poverty is only increasing.

Retrofit can increase energy efficiency, meaning both warm homes and lower energy bills. According to the End Fuel Poverty Coalition, 96% of fuel poor homes are poorly insulated.

3

COMMUNITIES

Businesses want to have a demonstrable impact within communities and invest in a just green transition.

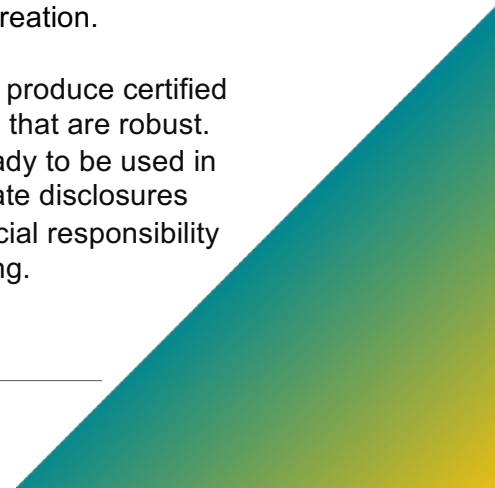
From the installation of insulation to heat pumps, increased investment in retrofit also means supporting the growth of jobs in the green economy.

4

MARKETS

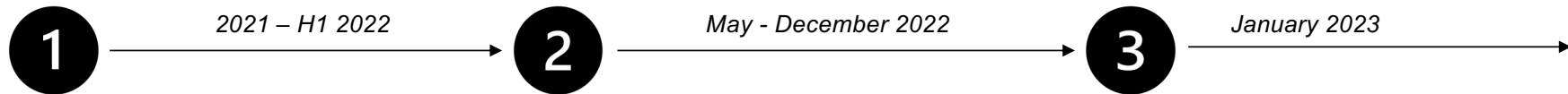
HACT and Arctica will act as independent verifiers of the emission reductions and social value creation.

We will produce certified metrics that are robust and ready to be used in corporate disclosures and social responsibility reporting.





RETROFITCREDITS Service roadmap



PROJECT REGISTRATION

The project has been developed under the Verified Carbon Standard operated by Verra Registry and will be accredited to originate Verified Carbon Units.

PILOT AND DEVELOPMENT

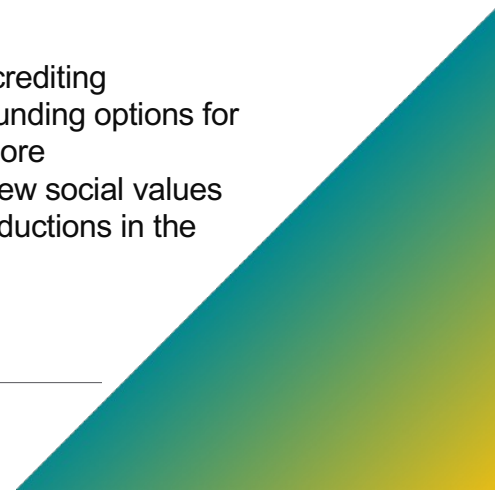
Arctica and HACT are now enrolling social housing providers and credit buyers to participate in a large-scale pilot from May-December 2022.

Funding is being raised for ongoing development of the service, platform and ongoing research and evaluation.

EXPANSION

Using learnings from the pilot, HACT and Arctica will work towards full deployment in 2023. Crediting cycles are envisioned to occur every June and December for emissions reductions achieved in the prior six months.

We will look to extend the crediting methodology, expand the funding options for housing providers and explore opportunities to measure new social values against greenhouse gas reductions in the Built environment.





RETROFITCREDITS Service partners

HACT

HACT has been at the heart of housing sector innovation for over sixty years. HACT partners with organisations across the housing sector to drive value for residents and communities through insight-led products and services.

HACT has pioneered social value in the social housing sector, working with organisations as they seek to measure and understand their social impact.

ARCTICA PARTNERS

Arctica Partners was founded to design and implement a certified emission reduction project for the housing sector and expedite the pace of housing decarbonisation.

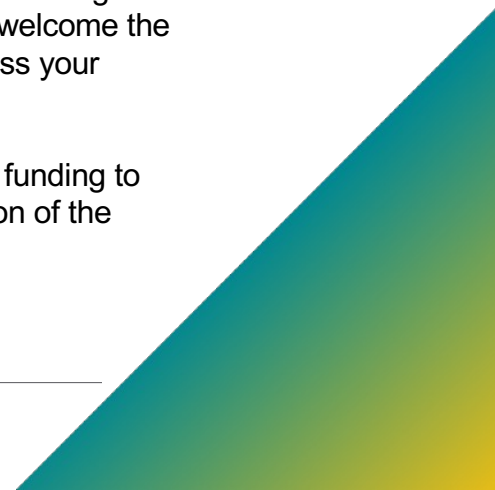
Combining housing experience with over a decade of expertise in sustainable finance and the carbon markets.

PILOT PARTNERS

We are enrolling housing providers and credit buyers to participate in the pilot and subsequent full deployment of the service.

We are developing a strong pipeline and would welcome the opportunity to discuss your involvement further.

We are also raising funding to enable the expansion of the service.





RETROFITCREDITS FAQs: Social housing and social value

Social value is an intrinsic part of social housing's DNA.

In 2014, HACT was approached by several leading social housing organisations. As social purpose organisations, they wanted a robust way to measure the social value of their work.

Working with over 50 partner organisations, HACT created the UK Social Value Bank based on the wellbeing valuation approach. This ground-breaking approach is based on the most robust evidence available, drawing on insights from large-scale surveys, and complies with the HM Treasury Green Book.

The approach was based on the understanding that the changes experienced by people had an impact on their well-being. It was applied to the outcome's social landlords support, such as help getting a job, feeling more confident, or addressing homelessness. A well-being value measures an activity's positive impact on an individual's well-being.

The UK Social Value Bank pioneered a new way to measure social value. In 2020, HACT convened a UK Social Value in Housing Taskforce and was tasked with enhancing and expanding the UK Social Value Bank so that it could be used by any project in any social housing organisation looking to improve, demonstrate and maximise its social, economic and environmental outcomes.

This enhanced and expanded Bank enables organisations to model, monitor and measure their social and environmental impact through improvements in wellbeing and savings made to the state. The housing sector has developed it for the housing sector. It was launched on 6 June 2022.



RETROFITCREDITS FAQs: What are Verifiable Carbon Units?

Every business has emissions that are, at this point in our technological capabilities, unabatable or cannot be reduced. **Companies are voluntarily compensating for these unabatable emissions by funding projects that reduce greenhouse gas emissions.** Verified Carbon Units such as those issued by Verra Registry provide a means to ensure the integrity of that investment by using recognised standards and a registry system to verify that emission reductions are real, additional, permanent and do no net harm.

Certified projects: reduce carbon and other greenhouse gases by preventing new emissions (e.g. decarbonising homes) or removing existing emissions from the atmosphere (e.g., restoring forests). Certified projects are run by accredited project developers such as Arctica Partners, using methodologies that are subject to peer review, public consultation and ongoing audit.

Verified Carbon Units: are issued for emission reductions achieved by certified projects. RETROFITCREDITS will be Verified Carbon Units issued by Verra Registry. Each credit represents a measurable, verifiable reduction of one metric tonne of carbon dioxide, or an equivalent greenhouse gas. RETROFITCREDITS also have an attached social impact value calculated using the UK Social Value Bank.

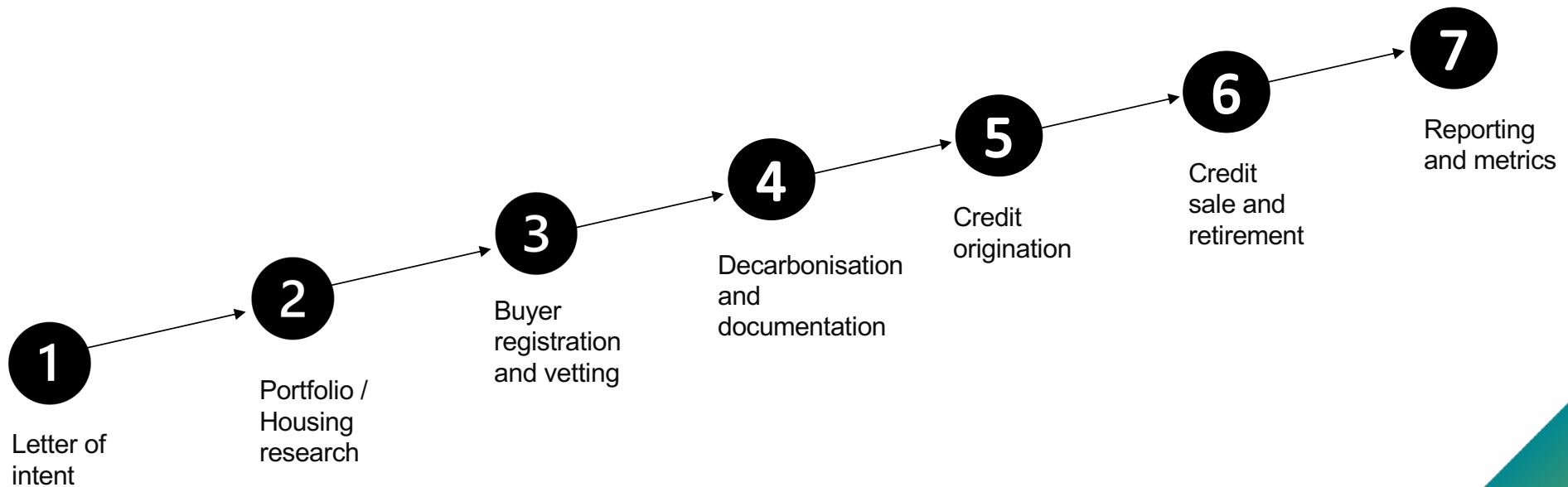
Businesses: purchase RETROFITCREDITS equivalent to the amount of emissions they have not yet abated. Sale of the credits provides funding to housing retrofit projects which also create social impact. Arctica instructs the retirement of the Verified Carbon Units on behalf of the buyer.

The social housing sector has long been a recipient of s106 investment for the provision of offsite affordable housing and the concept behind RETROFITCREDITS is the same. Businesses that are currently unable to abate all their emissions will be able to invest in additional emission reductions through offsite housing retrofit projects.



RETROFITCREDITS How to join the project - overview

We've developed a straightforward process for social housing providers looking to enrol homes.





RETROFITCREDITS How to join the project – stages 1 & 2

1

Letter of intent

On agreement of working together a Letter of Intent (incorporating NDA provisions) is signed with the housing provider.

2

Portfolio/Housing Research

The housing provider provides an address list (generally on an excel spreadsheet or similar) of housing stock where retrofit works could improve the thermal efficiency of a home and/or reduce the carbon intensity of the heating source.

HACT and Arctica then calculate the potential emission reductions, social value, fuel cost savings and eligibility for [RETROFITCREDITS](#).

We report to the housing provider on the potential funding available from [RETROFITCREDITS](#).

The housing provider uses these projections to inform their investment case for retrofit activities.





RETROFITCREDITS How to join the project – stage 3

3

Buyer registration and vetting

We will work with housing providers to understand the timing of their retrofit projects, enabling us to package the expected RETROFITCREDITS ready for investment.

We find the best buyers to match the RETROFITCREDITS based on factors such as the level of emission reductions, social value, geographical location, and timing of retrofit completion.

We undertake due diligence on potential buyers to understand their carbon footprint, decarbonisation plans and intended use for the RETROFITCREDITS. Housing providers will have a say in which buyers are matched to the RETROFITCREDITS for their retrofit projects.

We report to the buyer on the potential RETROFITCREDITS available for investment. The buyer uses these projections to inform their investment decision.

On agreement to work together, a Letter of Intent (incorporating NDA provisions) is signed with the buyer.





RETROFITCREDITS How to join the project – stages 4 & 5

4

Decarbonisation and documentation

Housing providers undertake decarbonisation work as planned.

The housing provider gives us documentation confirming the completed retrofit work, for example, Building Regulations Compliance Certificate, Gas Safety Certificate, Certificate under PAS 2035, declaration of work carried out by a person registered with a competent person scheme, etc.

An agreement for Provision of RETROFITCREDITS Services is signed with the housing provider.

5

Credit origination

Arctica calculates the emission reductions achieved by the housing provider using its methodology developed under the Verified Carbon Standard. Arctica's calculations are subject to an ongoing audit by a third party approved by Verra Registry.

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

Arctica originates Verified Carbon Units (RETROFITCREDITS) with Verra Registry. Crediting takes place every June and December for emission reductions achieved in the preceding six months. RETROFITCREDITS are issued annually for up to 21 years. Verra tracks the credits using unique serial numbers to prevent double counting or double selling.

Contact us



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