Contact Email: [policy@r-e-a.net](mailto:policy@r-e-a.net)

Date: XX April 2025

**Open Letter to the Chancellor and Secretary of State DESNZ, regarding industry’s proposal to expand Salary Sacrifice to accelerate decarbonising Britain’s homes, generate growth and tackle the cost-of-living crisis**

Dear Chancellor and Secretary of State,

The UK’s renewable energy industry are writing to you to ask you to expand a successful existing scheme - salary sacrifice - to accelerate decarbonising Britain’s homes in a cost effective, proven manner.

**We are calling on you to use the forthcoming Warm Homes Plan to extend salary sacrifice beyond Electric Vehicles (EVs) to include clean technologies on the Energy Saving Materials (ESM) list, such as home solar PV, heat pumps, other heating decarbonisation measures, and energy efficiency products.**

The transition to net zero homes is moving at far too slow a pace. This is not because of a lack of support from the wider British public. With the recent Spring Statement, we understand sensitivities around public finances and propose a solution to help meet multiple aims at a reasonable cost using an existing policy mechanism.

In the DESNZ public attitudes tracker of 2024, 74% of the British public agreed with the statement “I have the ability to make changes in my life that could help reduce climate change.”

So why aren’t we moving quickly enough? Much comes down to affordability.

At a time of economic uncertainty for families and businesses alike, the upfront costs of decarbonisation measures like clean heating and home solar is holding back householders from making the switch. With an upfront investment cost it’s no wonder that working families are opting to prioritise other day to day expenditure.

One tried and tested solution to this is simple – salary sacrifice.

This removes the upfront costs as it spreads it on to equal monthly payments and allows working families to pay for these from their gross salary – thus making them much more affordable.

We are not asking you to take this on blind faith – the numbers on salary sacrifice are in the public domain and they work. With 1.4m EVs now on the road, salary sacrifice has played a significant part in kick-starting the transition. People with access to a salary sacrifice option are almost 4 times more likely to switch to an electric vehicle than somebody without access.

Expanding salary sacrifice would provide the public with an affordable route towards decarbonising their homes without significant cost to HM Treasury (the cost of salary sacrifice is roughly 50% of the current Boiler Upgrade Scheme).

Applying what we have seen with EVs – salary sacrifice increases take up by almost 4x – such an expansion could deliver 230,000 home solar PV and roughly 600,000 heat pump and renewable heating installations by 2030.

This would have a massive impact on reducing energy poverty at this difficult time, achieving the Energy Security Bill’s heat pump installation targets by 2028, meeting Government’s objectives for Clean Power 2030, and improving energy security.

The REA has already expressed the need to expand the Salary Sacrifice Scheme to include the clean technologies listed in the ESM list to HM Treasury in a recent letter. The wider industry is now coming together to support the expansion of salary sacrifice, in the anticipation that Government will recognise the significant benefits that can come from implementing this policy as soon as possible, as part of the forthcoming Warm Homes Plan.

We as the renewables industry urge Government to adopt an expansion of salary sacrifice to more technologies. The increase in demand generated from this one simple measure will have a transformative impact on net zero, jobs and the renewables sector.

Manufacturing capacity in the UK will have to expand dramatically. Trained installers will be required up and down the country. And maintenance engineers will be required for decades into the future to service the equipment. The topline impact of this could be up to 50,000 jobs created by 2030. These are overwhelmingly jobs that are well paid. The combined impact of these job creations and other economic benefits, mean that by 2030, the United Kingdom will be benefitting from an £8bn increase in GDP.

Salary sacrifice can work alongside the current Boiler Upgrade Scheme (BUS) grant – providing consumers a choice (rather than benefiting from both). This would provide greater flexibility based on personal circumstances, ensure Government support rules and value for money are safeguarded and allow for greater consumer choice.

We therefore ask that you urgently expand salary sacrifice to include the clean technologies and energy efficient components that make up the Energy Saving Materials list as part of a revised Warm Homes Plan.

We would be happy to discuss this further in a dedicated roundtable discussion or bilateral meeting.

Yours sincerely,

The undersigned:

**COMPANY & ORGANISATION SIGNATORIES**

*Cc – SoS MHCLG Angela Rayner MP, Energy Minister Miatta Fanbulleh MP*

*Enc – Briefing sheet on Salary Sacrifice - how it works*