

Talan joined a partnership to create a **Green Book compliant** business case for a **£100 million 'Able-to-Pay' loan** for residents living in the South West.



THE CHALLENGE

The South West region faces a significant challenge in meeting its **ambitious Net Zero targets**, with buildings accounting for a substantial share of carbon emissions. Despite national and local government efforts, the **policy landscape** has left a **major gap**.

The most recent government stats show that **64% of UK homes are owner-occupied**, yet most retrofit funding and support is targeted at social housing or those in fuel poverty.

The South West, with advanced climate ambitions and a high proportion of owner-occupiers, requires over **2.5 million air source heat pumps** and **1.4 million insulation installations** to reach Net Zero.

At current deployment rates, it would take centuries to achieve these targets. High upfront costs, long payback periods, and limited access to affordable finance have stalled progress, while the **supply chain and workforce for retrofit remain underdeveloped**.

THE SOLUTION

Talan worked with a range of partners commissioned by the South West Net Zero Hub, to develop a full **Green Book Business Case** for a **first-of-its-kind** Able to Pay Retrofit Loan Fund.

The fund is designed as a revolving, blended finance model, combining £40m public and £60m private investment to offer affordable loans to owner-occupiers for **energy efficiency and low carbon technologies** (e.g., heat pumps, insulation, solar PV). The minimum loan size is set at £7,500, with eligibility for households earning £40,000 or more.

The fund structure—a Limited Partnership—was chosen for its tax efficiency, investor appeal, and flexibility. A **bespoke, adaptable financial model** was created to ensure the fund's viability under changing variables, and a robust legal review **addressed regulatory and management complexities**.

The proposal demonstrates a **compelling economic rationale** for public sector investment, especially through quantifiable carbon savings, and is designed to **attract private capital** by offering competitive returns.

THE IMPACT

- **Carbon Savings:** The blended fund model is projected to deliver **376,509 tonnes of CO₂e savings** over 20 years—twice as effective per £ of subsidy as a grant-only scheme.
- **Public Sector Leverage:** The net public sector subsidy is estimated at **just £13m**, thanks to the revolving nature of the fund and returns on investment.
- **Workforce & Supply Chain:** Up to **543 full-time equivalent jobs** could be created, supporting the growth of the regional retrofit workforce and supply chain.

- **Consumer Benefits:** Homeowners gain access to affordable finance for whole-house retrofits, **reducing energy bills and improving comfort and health**.
- **Economic Value:** The scheme could generate a **Social Net Present Value (SNPV) of £212 million**, with a total investment opportunity of £17bn identified across the region.
- **Scalability & Replicability:** The fund's structure and financial model are designed to be **flexible and scalable**, providing a template for future regional or national schemes.

Implementing the actions in our report could achieve:

Metric	Value/Outcome
Total Fund Size	£100 million
Minimum Loan Size	£7,500
Minimum Household Income	£40,000
Estimated Carbon Savings (20 Years)	376,509 tonnes CO ₂ e
Social Net Present Value (SNPV)	£212 million
Jobs Created	Up to 543 FTE
Net Public Sector Subsidy	~£13 million
Typical Interest Rate (consumer)	~6%
Private Sector IRR	8%
Public Sector IRR	3%
Number of Households Supported	9,250

With our clients we are delivering net zero solutions.

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