



National Audit Office



REPORT

Dangerous cladding: the government's remediation portfolio

Ministry of Housing, Communities
& Local Government

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**Ministry of Housing, Communities
& Local Government**

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

25 October 2024

Key facts

£16.6bn

estimated total cost to fix unsafe cladding on all residential buildings over 11 metres in England, representing the Ministry of Housing, Communities & Local Government's (MHCLG's) current best estimate from a range of **£12.6 billion to £22.4 billion**

£5.1bn

total taxpayer contribution committed towards fixing unsafe cladding in England in the long term

4,771

number of buildings taller than 11 metres with unsafe cladding within MHCLG's remediation portfolio as at August 2024, out of an estimated total of 9,000–12,000 buildings requiring remediation

14 June 2017 a fire breaks out in Grenfell Tower, resulting in the deaths of 72 people

1,392 number of buildings for which remediation work was complete as at August 2024, which is equivalent to 12% and 16% of MHCLG's high and low estimates of the total number of buildings over 11 metres that will need remediating, respectively. Remediation work has started on a further 985 buildings

258,000 estimated number of individual homes in the 4,771 buildings over 11 metres within MHCLG's remediation portfolio as at August 2024

£2.3 billion spent by MHCLG on the remediation of buildings with unsafe cladding as at August 2024

£9.1 billion share of the £16.6 billion estimated total remediation costs to be provided by MHCLG, with the rest funded by developers, private owners or social housing providers. Represents MHCLG's current best estimate from a range of **£6.5 billion to £13.4 billion**

2035 date by which MHCLG – based on its modelling – currently estimates remediation to be complete on all buildings in England over 11 metres with unsafe cladding

Summary

Introduction

1 On 14 June 2017, a fire broke out at Grenfell Tower, a 24-storey residential block in London, and resulted in the deaths of 72 people. The subsequent inquiry found that the presence of aluminium composite material (ACM) cladding had played a significant role in the spread of the fire. After the fire, concerns were raised about the risk of major incidents in other multi-occupancy residential buildings, and testing revealed that the use of ACM and other flammable cladding in England was widespread. The Ministry of Housing, Communities & Local Government (MHCLG) is the main government department responsible for building safety and is leading the government's activity to support the remediation of unsafe buildings. MHCLG is clear that building owners are responsible for ensuring the safety of their buildings, which includes fixing fire safety defects.¹

2 MHCLG does not fix buildings directly but has introduced programmes to help fund, oversee and monitor cladding remediation by building owners and developers. It also supports enforcement activity to compel owners and developers to remediate. By May 2019, it had announced £600 million to support remediation of high-rise buildings (above 18 metres) with unsafe ACM cladding in both the social and private sectors. MHCLG appointed Homes England and the Greater London Authority as delivery partners to administer these programmes on its behalf. In subsequent years, MHCLG has expanded its interventions to address more fire safety issues in cladding, which has brought more buildings into scope. When we last reported on the topic in June 2020, it had announced a further £1 billion for remediation of high-rise residential buildings with other types of cladding which had since been found to be unsafe.

¹ Throughout this report we make reference to 'building owners', by which, unless stated otherwise, we mean freehold owners and landlords who are legally responsible for the condition and safety of a building and who have rights to recover costs of repair from leaseholders. In some cases, other people or organisations, such as managing agents or leaseholder-owned Right to Manage companies may lead on applying to MHCLG's remediation programmes. As we reported in 2020, buildings may have complex ownership arrangements, for example, involving offshore investors, and many buildings are mixed-use and involve multiple layers of ownership. For example, a single building may have a freeholder, an intermediary leaseholder/head leaseholder represented by a managing agent, a registered provider of social housing responsible for flats designated as affordable housing, plus residential and commercial leaseholders.

3 By July 2023, MHCLG had launched a programme to support remediation of medium-rise buildings (11–18 metres), increased total taxpayer funding commitments to £5.1 billion, and introduced legislation to ensure that industry paid a fair share. As well as funding to support remediation, it has programmes to oversee progress by developers and social housing providers. In 2023, it brought its five remediation programmes into a single portfolio. Based on modelling, MHCLG currently estimates that works on all affected buildings over 11 metres will be completed by 2035. By August 2024, MHCLG had spent £2.3 billion on the remediation of buildings.

4 The independent Grenfell Tower Inquiry published its second report on 4 September 2024.² The report examines the root causes of the fire, including how the building came to be in a condition that allowed fire to spread quickly despite the regulations in place that were designed to prevent such an event. It concludes that Grenfell Tower was the culmination of decades of failure by central government and other bodies in positions of responsibility in the construction industry to act on the information available to them regarding the dangers of incorporating combustible materials into the external walls of high-rise residential buildings. The government has said it will respond in full to the inquiry's recommendations within six months. Acknowledging that there were still too many buildings with unsafe cladding and that the speed at which they were being addressed was "far, far too slow", the government said it will take necessary steps to speed this up and that it would announce further steps on remediation this autumn.

2 The Grenfell Tower Inquiry, *Grenfell Tower Inquiry: Phase 2 Report*, September 2024.

Scope of this report

5 This report provides an update on progress since our *2020 Investigation into remediating dangerous cladding on high-rise buildings*.³ It assesses whether MHCLG's remediation portfolio in England is completing timely remediation of unsafe cladding at a reasonable cost to the taxpayer. It examines:

- how well MHCLG has designed its portfolio to maximise the identification and remediation of unsafe buildings;
- whether remediation is progressing as expected; and
- how well MHCLG is managing taxpayers' exposure to remediation costs across the lifetime of the portfolio.

Alongside its remediation portfolio, MHCLG has also taken steps to reform the regulatory regime for building safety. We have not examined this work and any references to the Building Safety Regulator relate to its interaction with remediation activity. Non-cladding fire safety defects are outside the scope of this report. We have not conducted detailed audits of the underlying programmes but have kept our focus on portfolio-level data. As such, we do not conclude on the value for money of the programmes; instead we make observations on, and recommendations for, the portfolio.

³ Comptroller and Auditor General, *Investigation into remediating dangerous cladding on high-rise buildings*, Session 2019-2021, HC 370, National Audit Office, June 2020.

Key findings

The government's remediation activity

6 The government has significantly changed the types of buildings within scope for its programmes, and its approach to remediation, as the scale and impact of the cladding problem has become clearer. MHCLG initially focused on identifying high-rise buildings with unsafe ACM cladding. From 2018, as concerns mounted about the pace of remediation, fire safety risks in other types of cladding, and the unaffordable bills that residents faced, MHCLG introduced financial support. By March 2021, it had made £5.1 billion available to support remediation of high-rise buildings with ACM and other types of unsafe cladding across the private and social sectors. In 2020, government advice began to stress the importance of assessing the fire safety risk of external wall systems on all buildings, irrespective of height. In 2021, MHCLG announced a long-term loan for leaseholders in affected medium-rise buildings to pay for remediation works, along with measures to make industry pay. In 2022, it decided not to progress with the loan, promised to protect leaseholders in buildings over 11 metres from remediation costs, and adopted a more proportionate approach towards its assessment of building safety. This approach called for greater use of lower cost mitigations such as sprinklers, which it said would be less disruptive for residents. In some cases, where risk is deemed low or 'tolerable', it could mean flammable cladding staying in place. These changes have tried to clarify who will pay but introduced more uncertainty over the number of buildings in scope for government programmes and how much remediation will cost (paragraphs 1.3 to 1.13, 1.16, 1.20, 1.22 and Figure 1).

7 MHCLG has now established programmes to address dangerous cladding for all the estimated 9,000 to 12,000 buildings over 11 metres that it considers need remediating, but not for buildings below that height. In 2023, MHCLG brought its five remediation programmes together into a single remediation portfolio comprising:

- **the ACM programme** (MHCLG told us this may soon close to new applications) – grant funding to support remediation of buildings over 18 metres with ACM cladding. Funding included £400 million for social housing sector (2018) and £200 million for the private sector (2019);
- **the Building Safety Fund (BSF)** (now closed for new applications outside London) – grant funding to support remediation of high-rise buildings with non-ACM flammable cladding. £1 billion in March 2020 for tranche 1 and £3.5 billion in February 2021 for tranche 2;
- **the Cladding Safety Scheme (CSS)** (launched July 2023) – grant funding to support remediation of buildings over 11 metres outside London and 11–18 metres inside London. Designed and managed by Homes England;
- **the Developer Remediation Programme** (including the Developer Remediation Contract which government first asked developers to sign in January 2023 and the Responsible Actors Scheme established in July 2023) to oversee self-remediation activity by developers; and
- **the Social Housing Programme** (established in summer 2023) to monitor self-remediation in the social housing sector.

MHCLG expects its portfolio to cover all the 9,000 to 12,000 residential buildings over 11 metres that, as at February 2024, it estimated would need remediating. While, MHCLG's programmes currently focus on buildings taller than 11 metres, it does not know how prevalent dangerous cladding is in low-rise buildings but there is no government funding for the remediation of buildings below 11 metres. MHCLG considers fire safety risk for buildings below 11 metres to be far lower, and lower-cost mitigations such as fire alarms likely to be sufficient to make them safe (paragraphs 1.10, 1.12, 1.14, 1.16 and Figures 2 and 3).

8 The impacts of dangerous cladding have extended far beyond the immediate victims of the Grenfell fire, with many people suffering significant financial and emotional distress. As well as living with the fear of fire and costly bills for remediation, some residents in affected buildings have also paid for 'waking watches' to patrol buildings while waiting for cladding to be removed. Costs for waking watches vary widely from building to building, but in 2020 MHCLG reported median costs of £11,361 per building per month, or £137 per home, compared to £104 per home in 2023 (based on buildings that were receiving Waking Watch Relief funding from the government). While the Building Safety Act 2022 now protects most leaseholders from paying for remediation costs, many have experienced increases in insurance premiums (some as high as 500%, passed on through service charges), struggled to access mortgage finance, and been unable to move. MHCLG has taken steps to help make affected buildings mortgageable and insurable. In December 2022, the UK's six largest lenders confirmed that they would lend on properties needing cladding remediation. MHCLG reported in July 2024 that the gap in the proportion of mortgage applications accepted on buildings with and without unsafe cladding had narrowed between December 2023 and April 2024. MHCLG does not hold data on how the affordability of these mortgages compared. In most cases, buildings with dangerous cladding are insurable but premiums remain high. MHCLG acknowledges that its planned interventions are insufficient to bring them down (paragraphs 1.6, 1.14, 2.19 and 2.20).

Monitoring progress

9 There has been a substantial increase in remediation activity since we last reported, but many people do not yet know when their buildings will be made safe. By April 2020, MHCLG had identified 456 buildings with ACM cladding, of which remediation was complete on 163 (including 14 waiting for building control sign-off), in progress on 126, and yet to start on 167. By August 2024, remediation was complete for 442 out of 503 buildings in the ACM programme (88%). As scope has expanded, more buildings have come into the portfolio. By August 2024, there were 4,771 buildings in the portfolio (equating to around 258,000 homes), of which remediation work was complete on around a third (1,392), had started on 985, but had yet to start on half (2,394). MHCLG has not published delivery milestones, which makes it difficult for the public and Parliament to assess whether portfolio performance is reasonable – and means that many people have no indication of when their building will be made safe. For buildings where remediation works are planned or underway, MHCLG expects those responsible for fixing buildings to keep residents informed about their individual projects in line with its code of practice. However, residents may not always find it satisfactory to be reliant on communications from building owners, given that they or their agents can often be responsible for project delays. In February 2024, MHCLG's modelling indicated a date of 2035 by which all eligible buildings over 11 metres with unsafe cladding would be remediated (paragraphs 2.5, 2.7, 2.11 and 2.14).

10 It is taking longer than MHCLG expected to identify buildings with dangerous cladding and bring them into the portfolio. While building owners are responsible for fixing their buildings, engagement with the portfolio is voluntary. We have previously reported that incomplete building records, construction materials that differ from those on plans and difficulties tracing owners can make identifying affected buildings difficult. In August 2024, of the 9,000 to 12,000 buildings that MHCLG estimates will need remediating, 4,771 (39% to 54%) were in a remediation programme. Seven years after Grenfell, 98% of estimated high-rise buildings were in the portfolio. Mandatory registration of high-rise buildings under the Building Safety Act 2022 is helping to identify any that remain. There is no mandatory registration for (more numerous) medium-rise buildings. While they have been in scope for much less time, in July 2024, MHCLG reported that it was behind where it expected to be on bringing medium-rise buildings into the portfolio. It understands that some building owners may be reluctant to engage for fear of uncovering problems that are out-of-scope for government funding, and that others – such as Right to Manage companies – can lack the time and knowledge to navigate the process. MHCLG is developing a strategy for understanding what buildings are not yet in the portfolio, and programme-level escalation strategies to incentivise, encourage and compel different categories of freeholder, social housing provider and developer to engage. However, there is a risk that some may never be identified (paragraphs 1.13, 2.6 to 2.10).

11 Remediation within the portfolio is progressing more slowly than MHCLG expected in its first year of operation. MHCLG monitors portfolio performance by comparing actual progress against the progress it would need to make to meet its central estimate on the total number of buildings to be remediated. As at March 2024, performance was below its central estimates for both high- and medium-rise buildings. Overall, works had started on 355 (16%) fewer buildings than expected. Works were on site for 1,380 high-rise buildings against expected starts on site to meet the central estimate of 1,463 (94%), and 492 medium-rise buildings against expected starts to meet the central estimate of 764 (64%). In February 2024, MHCLG reported that it may have overestimated the number of medium-rise buildings requiring remediation. At the time of writing, MHCLG was planning to update its estimate in the autumn (paragraphs 1.23, 2.12 and Figure 6).

12 MHCLG and Homes England have learned and applied lessons in efforts to improve programme performance. MHCLG commissioned several reviews to learn lessons from the experience of its high-rise programmes. MHCLG appointed Homes England to develop the CSS for medium-rise buildings, which built on these lessons to streamline and automate processes. While programmes are not directly comparable and CSS is still at an early stage, there are initial indications that it is faster and much cheaper to run than the BSF. MHCLG has now transferred some buildings already in the BSF to the CSS in efforts to speed up remediation for these high-rise buildings and improve value for money. MHCLG has also taken steps to improve performance in its ongoing high-rise programmes. For example, it has increased spending on technical support in the BSF to address a lack of applicant expertise and it has increased engagement and enforcement activity to push reluctant owners to progress (paragraphs 2.10 and 2.22 to 2.24).

13 Remediation of buildings over 11 metres is not currently on course to complete by 2035 and there are significant challenges to overcome. To meet the expectation, based on its latest modelling, that remediation works on all buildings over 11 metres with unsafe cladding will be completed by 2035, MHCLG must ensure lost ground is regained and completion rates increased in future years. As steward of the built environment, MHCLG is accountable to parliament for how it uses public money to ensure that buildings are safe. It says it is not responsible for identifying which buildings have unsafe cladding or for making building owners complete remediation works. However, to get the portfolio back on course, MHCLG acknowledges that it must find ways to bring buildings into the portfolio faster and increase pace. It is working with Homes England to identify unsafe buildings and prompt building owners to remediate, and acknowledges it must help to resolve disputes and avoid protracted discussions between developers and freeholders over what constitutes 'proportionate' remediation works or 'tolerable' risk. MHCLG is also seeking to minimise the impact of delays to building control approvals for remediation works from the new Building Safety Regulator while industry adjusts to the new regime for higher-risk buildings. Already strained finances among social housing providers, and a high threshold for government support limiting their access to funding for remediation, also pose risks to pace in the social housing sector (paragraphs 1.17, 2.6, 2.9, 2.16 and 2.17).

Protecting the taxpayer

14 MHCLG chose approaches to funding that prioritised speed but increased the risks of poor value for money and fraud. MHCLG recognised early that providing taxpayer support for private sector remediation would not meet normal government value for money expectations, seeking and obtaining ministerial directions to proceed with both its private sector ACM fund and the BSF. MHCLG also recognised that providing grants to private building owners was riskier than its initial funding for social-sector providers. It put protections in place on its ACM fund, including enhanced scrutiny of applications and payment in arrears of cost. However, in its subsequent attempts to increase pace of remediation on the BSF, MHCLG amended some of its earlier protections, including introducing advance payments to applicants. These changes exposed the taxpayer to an increased risk of poor value for money and potential losses through fraud, with advance funding in particular increasing the opportunity for recipients to misuse funds (paragraphs 3.2 to 3.7).

15 After a slow start, MHCLG is now increasing its counter-fraud activity. The Infrastructure and Projects Authority reviewed the BSF programme in 2020 and recommended that MHCLG undertake a fraud risk assessment. The Cabinet Office Complex Grants Advice Panel reviewed a risk assessment in 2021 and recommended a more robust and independently assured process. MHCLG commissioned a full fraud risk assessment in 2023. It assures us that it undertook some counter-fraud activity in the interim but could not provide documented evidence of work undertaken. It has since identified potential losses of over £500,000 through fraud in 2023-24. In 2024, MHCLG reviewed its counter-fraud structures and developed plans to improve fraud management on the BSF. An external review highlighted that there has not been a fraud measurement exercise on the programme and that levels of fraud detected are significantly lower than would be expected given its size and risk. Homes England commissioned its first full fraud risk assessment from the Public Sector Fraud Authority six months into its operation of the CSS, and believes its controls are sufficient to manage the risks identified (paragraphs 3.7 to 3.10).

16 The government plans to cap taxpayer contributions towards cladding remediation at £5.1 billion over the lifetime of its remediation programmes; MHCLG will need to manage risks to deliver this. In 2022 MHCLG set out its intention to protect the taxpayer through capping its contribution to remediation and making other stakeholders contribute more. Its current best estimate of total remediation costs are £16.6 billion (ranging from £12.6 billion to £22.4 billion). MHCLG will provide funding for qualifying buildings at a current forecast cost of £9.1 billion (ranging from £6.5 billion to £13.4 billion), with the remainder funded by developers, private owners or social housing providers. To remain within its £5.1 billion cap in the long run, MHCLG intends to recoup £700 million from developers refunding costs for remediating buildings for which they have now accepted responsibility, and the balance (currently forecast at £3.4 billion) through the new Building Safety Levy. The Levy will be paid by developers on new developments, though MHCLG is yet to confirm payment mechanisms. It does not expect collection to start until autumn 2025 at the earliest. MHCLG and HM Treasury have agreed arrangements to provide funding in the short term to allow remediation to progress, with the Levy recouping these amounts in later years to ensure the £5.1 billion cap is not exceeded overall. To complete remediation within the cap, MHCLG will need to work around a lack of certainty over income generated by the Levy (and will potentially need to extend it beyond the 10 years initially anticipated to recoup the funds required), and the ability of social housing owners to fund remediation of their properties at a pace acceptable to residents (paragraphs 3.11 to 3.13, Figure 10 and Figure 11).

17 MHCLG will need to manage risks and trade-offs beyond the immediate scope of its remediation portfolio. The government has many targets for housing, such as building new and affordable homes and decarbonising the sector. MHCLG acknowledges there may be cross-over between its remediation programmes and wider government priorities but that it could do more to seek efficiencies and ensure that policies are not working at cross-purposes. For example, as MHCLG and other bodies investigate buildings at risk, they are gathering data about buildings on a national scale. These data may have uses for future government priorities, for example to support government's net zero ambitions. MHCLG told us it was working with colleagues across government on supporting decarbonisation activity and that its approach to joining up remediation work with other government priorities included its impact assessment process. We did not see evidence that these activities were having the desired impact (paragraphs 2.2 and 3.12 to 3.14).

Conclusion

18 As MHCLG's ACM programme draws to a close, remediation works on most tower blocks over 18 metres with the most dangerous form of cladding are now complete or nearing completion. However, the scale of the cladding crisis has proved much bigger than the government initially understood, and its interventions have expanded as a result. For the many thousands of residents who have been living in fear of fire, facing costly remediation bills, struggling to access mortgage finance or affordable insurance, or unable to move, leaseholder protections and the promise of a way forward for all buildings over 11 metres are welcome. The principle of 'polluter pays,' where the costs of remediation works are met by those responsible, was established to relieve pressure on the public purse, improve public value and protect leaseholders from paying to fix a problem that is not of their making. However, there is a long way to go before all affected buildings are made safe, and there are risks MHCLG must address if its approach is to succeed.

19 Of the 9,000 to 12,000 buildings over 11 metres that MHCLG estimates will need remediating, 4,771 buildings have been identified and included in its portfolio, leaving up to 60% of affected buildings still to be identified. Of those identified, remediation work has yet to start on half and has completed on around a third. Of all the buildings that may be in scope, work has completed on only 12–16%. The pace of remediation works is behind where MHCLG expected it to be. Putting the onus on developers to pay and introducing a more proportionate approach to remediation should help to protect taxpayers' money. However, this approach also created grounds for lengthy disputes between developers and freeholders over the scope of works required and these disputes are causing delays. To stick to its £5.1 billion cap in the long run, MHCLG needs to ensure that it can recoup any funds it spends above this through successful implementation of the proposed Building Safety Levy. MHCLG has been slow to address fraud risks and must ensure its incentivisation and enforcement activities encourage reluctant freeholders to engage and ensure the industry is not stalling. Seven years on from the Grenfell Tower fire, there has been progress, but there also remains considerable uncertainty about the number of buildings needing remediation, the cost of remediating them, and how long it will take to fix them and to recoup spending in the long run.

Recommendations

- a** MHCLG should consider whether there is additional information and data that it could publish about the portfolio that would:
- give residents in buildings not yet in a programme, or not yet being remediated privately, an indication of how long they might need to wait until their building is made safe. For example, MHCLG should publish a target date by which it expects all affected buildings to be remediated based on its understanding of the number of buildings to be remediated and the speed at which it expects building owners and developers to complete works. It should continue to review whether the date remains achievable as the portfolio progresses; and
 - enhance the level of transparency for Parliament and the public over portfolio performance – and therefore whether it is achieving value for taxpayers' money or whether it needs to change approach. For example, it could publish data on the proportion of total buildings to be remediated (according to its latest estimates) for which remediation has started or completed, and a measure of whether the portfolio is on track to achieve a published target date.
- b** MHCLG should evaluate its code of practice for the remediation of residential buildings to ensure that it is helping residents of buildings where remediation works are planned or underway to understand whether progress in their buildings is reasonable. This is important to enable residents to use the code as a basis to query progress on their buildings and understand whether they need to take action to escalate. If the code is not delivering as intended, or not helping to reduce delays, MHCLG should work with residents to consider what more it can do to help.
- c** If the number of buildings within the individual programmes and progress with remediation have not picked up by the end of the year, MHCLG and Homes England should consider other actions to incentivise responsible entities to apply to its programmes, and increase pace of remediation. For example, it could consider mandatory registration for buildings 11–18 metres (as it has for high-rise buildings over 18 metres), tougher enforcement activity and action to help resolve or avoid protracted disputes between stakeholders over the scope of works.
- d** MHCLG should assess the feasibility of conducting a measurement exercise to estimate the extent of undetected fraud and error across its remediation portfolio. A measurement exercise would help it to understand the scale of the problem and whether further investigations are needed, while also supporting wider learning around controls.

- e** MHCLG should share any relevant learning with the Public Sector Fraud Authority and the Cabinet Office Complex Grants Advice Panel. It should also report the results of such an exercise in its annual report and explain how it is using them to target improvements to the design of programme controls.
- f** MHCLG should continue to work with other teams and other government departments to enhance its understanding of how its cladding remediation activity might impact or support other government priorities; for example:

 - MHCLG should capture how its work with other teams and other government departments has secured efficiencies and helped to ensure policies are not working at cross-purposes with other government priorities; and
 - to maximise value for money from their investment in systems, MHCLG and Homes England should explore opportunities to use data collected on buildings for other purposes (in line with data protection rules) – for example, to provide information to residents or to support cross-government objectives such as on net zero.