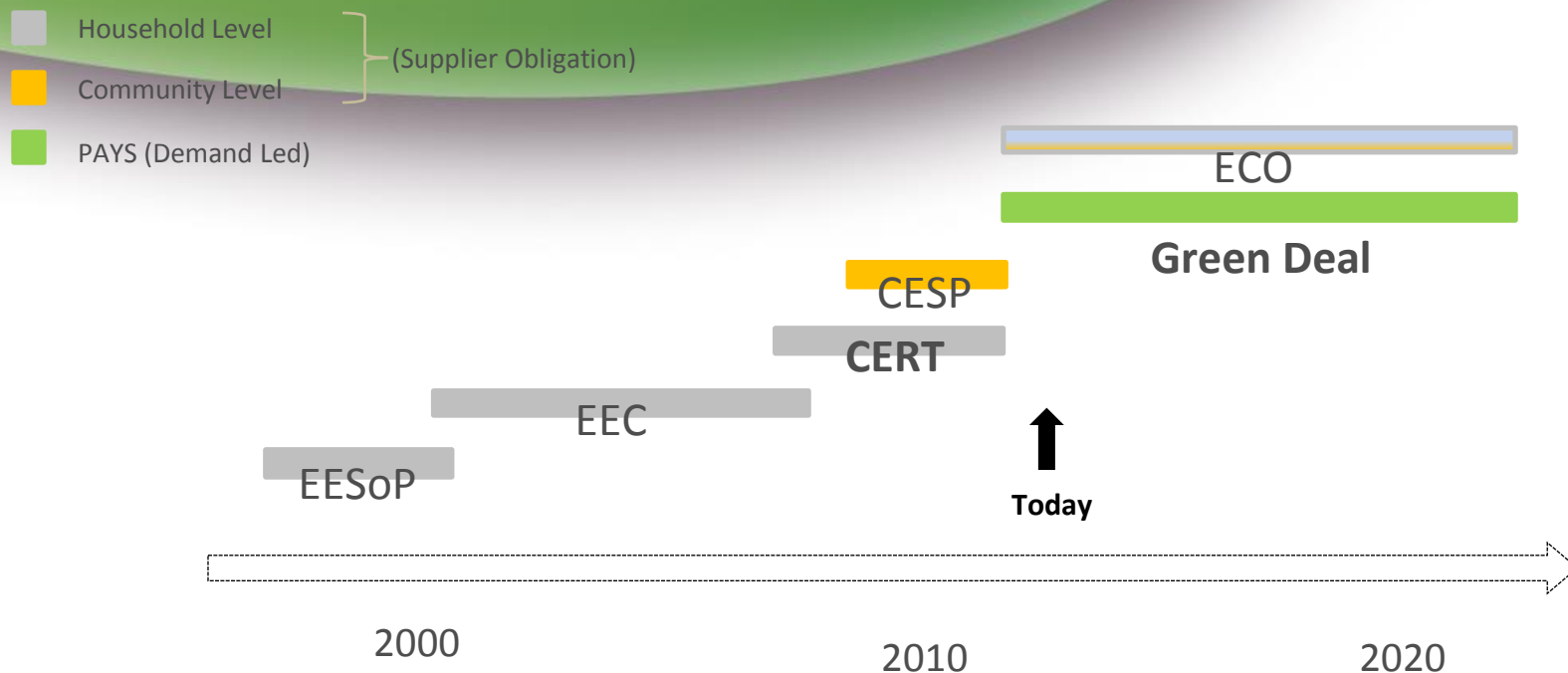


Carbon Action Network Conference Newcastle 5 July 2013

ECO and The Green Deal

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Overview of Domestic Energy Efficiency in Great Britain: 2000-2020



CERT, CESP and EEC have operated alongside other policies which had a significant impact on the energy efficiency of housing – including Warmfront; DCLG building standards; Product standards (for example for double glazing); European regulations

CERT and CESP Achievement

- Estimated nearly 8 million homes received a major insulation measure (cavity, loft or SWI) between 2008 and 2012 under CERT and CESP
- Under CERT and CESP :
 - 3.9 million lofts insulated (excluding DIY)
 - 2.5 million cavities insulated
 - 140,000 solid walls insulated
- **As result of all the schemes now hardly any lofts left without some level of insulation**
- Under 700,000 easy to treat cavities left
- Under CERT 296.9 Mt CO₂ saving achieved, equivalent to 101.3% of the overall target

Green Deal/ECO: Objectives

- A dynamic and innovative energy efficiency delivery market
- Greater consumer choice
- Increased delivery of difficult/high-cost measures
- Reach the parts other schemes haven't reached
- Minimise costs on the average consumer – particularly the fuel poor

Green Deal – Key Features

Removes some financial barriers to action:

- “Golden Rule” - links repaying the cost of a measure to the savings it will generate
- Fixes the finance to the property/energy bill, not the individual occupant
- The individual is never liable for the whole loan

The role of ECO

- There will be households for whom Green Deal cannot be (the whole) story
- ECO integrates with the Green Deal, with a focus on:
 - hard to treat properties; and
 - vulnerable and poor households



Green Deal and ECO



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Green Deal: demand-led, market driven.
Measures that meet the Golden Rule

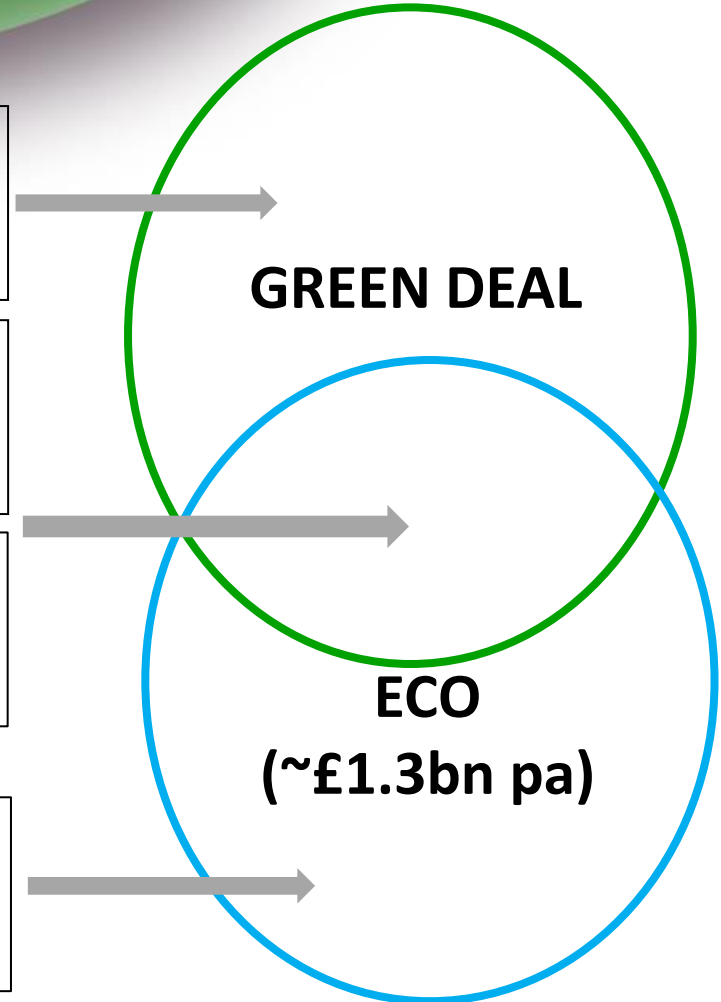
Carbon Saving obligation (~£760m pa) packages
of measures that include solid wall or hard to
treat cavity insulation

Carbon Saving Communities obligation
(~£190m pa) targeted at insulation measures
in low income areas

Affordable Warmth obligation (~£350m pa)
heating and insulation targeted at the poorest
and most vulnerable consumers,

GREEN DEAL

ECO
(~£1.3bn pa)



What is an obligation

What is an energy company obligation?

- Government sets a outcome – met by obligated companies promoting relevant measures.
- The outcome must related to legal objectives of reducing domestic carbon emissions, or the cost of heating
- Rules set what can be delivered and which households are eligible – but within the rules companies free to deliver as they think best.
- Ofgem enforce the rules. Government has no day to day control of the delivery - changes require legislation.
- **What it is not – A Government Grant**

Why use the suppliers to deliver?

- Energy suppliers have a direct customer relationship with every household
- Liberalised market and economies of scale are thought to keep costs down – but costs passed through to all consumers

ECO detail

- **ECO came into force on 1 January 2013 - includes a provision allowing activity from 1 October 2012 to count towards energy suppliers' eventual ECO targets**
- Delivery scored in terms of carbon (CO₂) or notional bill savings (£) over the lifetime of the measures installed
- ECO scores calculated based on property specific information (such as RdSAP and SAP)
- There are no interim targets to be met within ECO, the initial obligation period runs until 31 March 2015
- Suppliers with fewer than 250,000 customers are exempt
- Brokerage mechanism to provide fair and transparent access to ECO subsidy.

Energy Company Obligation

ECO is estimated to cost obligated energy companies around £1.3 billion per year to deliver:

At least £540m/yr to help low income and vulnerable homes:

- **(HHCRO) Affordable Warmth Obligation** (~£350m per year)
- **(CSCO) Carbon Saving Communities Obligation** (~190m per year)
 - Rural sub-target

And a significant focus on carbon saving in hard to treat homes:

- **(CERO) Carbon Saving Obligation** (approx. £760m per year)

Options for ECO delivery



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- **Energy Company self-delivery** through their own Green Deal provider or service delivery businesses
- **Subcontracting** through e.g. the local delivery chain
- **Bilateral partnerships between energy companies and delivery partners** e.g. Green Deal Providers, Local Authorities, Social Housing Providers
- **New ECO brokerage mechanism**

ECO is out there



- ECO commenced on 1 January 2013 and is up and running
- Systems and guidance are in place
- 7 Energy companies obligated
- Suppliers are delivering on the ground
- LA projects in the pipeline in number of cities
- Ten thousand plus ESAS referrals already made
- 13 brokerage auctions held - over 155 million pounds of measures sold to be delivered over the coming months – including all 3 elements of the obligation.
- 6 obligated suppliers and 20+ GDPs signed up to brokerage

ECO and Green Deal Progress

- 38,000 + assessments up to the middle of June.
 - 47% of households said they either had or were getting energy saving measures installed following their assessment; and
 - a further 31% said they would 'definitely or probably' install at least one measure
- 82,000 installations (to 70,000 homes) under ECO – including putting cavity insulation and replacement boilers into the homes of those on low incomes.
- 63 authorised Green Deal providers, 1,800 individuals registered to carry out assessments and 1,250 organisations signed up to carry out installations



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I'm from the Government, I'm
here to help you.

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Thank you