



Department  
of Energy &  
Climate Change

# Proposed changes to ECO and Green Deal

ECO Steering Group



# Headline messages

- On 2 December 2013 Government announced that it will consult on making ECO easier and cheaper
- Right that Government reviews the impact of policies on household costs – by changing ECO our aim is to ensure that it targets those areas where it can make most impact
- Proposed changes would see the whole ECO scheme extended to 2017
- We would maintain the current levels of ambition for the elements of ECO directed at low income and vulnerable households (CSCO and HHCRO), and to extend them thereafter, at the same scale, to 2017
- Our proposals would also extend CERO to 2017, but at a reduced level, and help households install cheaper energy efficiency measures such as loft and standard CWI
- Based on what suppliers have told us, we estimate that the proposed changes to ECO will result in a £30-35 reduction in energy bills, on average, next year
- **Government will consult on these changes in early 2014**



# Proposed changes for consultation (1)

In early-2014 Government intends to consult on the following proposed changes to ECO:

## The Targets

- The March 2015 Carbon Emissions Reduction Obligation (CERO) target will be reduced by 33%
- The March 2015 Carbon Saving Communities (CSCO) and Affordable Warmth (AW) targets will remain the same
- ECO will be extended to March 2017 and new targets imposed for CERO, CSCO and AW at a pro rata of the March 2015 levels

# Proposed changes for consultation (2)

## Proposals on ECO delivery

- Energy suppliers would be able to carry forward over-performance from CERT/CESP, and count it towards their ECO targets at the maximum possible level
- Energy suppliers could carry forward over delivery against their March 2015 targets to count towards their March 2017 targets
- Suppliers may choose to deliver less than their share of the new 2015 CERO target – in which case, the supplier would see its CERO obligation for March 2017 increased by 1.1 times its shortfall in March 2015
- Suppliers that have delivered >25-35% of their current Phases 1 and 2 CERO target by 31 March 2014 will receive 1.75-2 times the carbon score for the measures delivered to that date – the scoring uplift would only apply to measures above the threshold, and activity carried forward from CERT / CESP would also be excluded from this uplift
- The above flexibility and uplift proposals would not apply to HHCRO or CSCO targets

# Proposed changes for consultation (3)

## Carbon Emissions Reduction Obligation (CERO)

- The March 2015 CERO target will be reduced by 33%, and extended at that level (pro-rata) from 2015 to March 2017
- Connections to district heating schemes will be included as an allowable primary measure under CERO
- Standard cavity walls will be included as an allowable primary measure (as a result, we would envisage that current administrative rules on the identification of hard to treat cavities would fall)
- Loft insulation will be included as an allowable primary measure, but propose putting a clear compliance mechanism in place
- Would include retrospective delivery of loft and CWI from 1 April 2014 onwards

# Proposed changes for consultation (4)

## Carbon Saving Communities Obligation (CSCO)

- Extended from the bottom 15% to the bottom 25% most deprived areas, based on the Index of Multiple Deprivation (IMD)
- Qualifying criteria for the CSCO rural sub-obligation will be simplified with the removal of the benefit criteria
- Measures will qualify for the rural element if they are installed in households in the poorest 25% of rural settlements (of 10,000 people or less)

## Affordable Warmth or 'HHCRO'

- We are not going to propose any changes to the targets originally set for 2015 for Affordable Warmth
- Our consultation will, however, propose that we set new targets on top of this for 2017

# Proposed changes for consultation (5)

## Solid wall insulation (SWI)

- There will be a requirement to deliver a minimum level of SWI – set at 100,000, or a specific volume of CO<sub>2</sub> equivalent to that number of SWI installations
- The target would be delivered by 2017, across all companies and all elements of ECO
- There would be no other measure-specific sub-targets

## Delivery costs

- Government intends to increase transparency of the costs of ECO, either through voluntary agreement with suppliers or by taking powers through legislation
- Suppliers intend to provide active support to the Green Deal and work towards reducing their ECO costs by increasing blending of ECO and Green Deal finance packages



# Proposed changes to Green Deal

**Having listened to stakeholders, it will be strengthened and streamlined:**

- Proposed new incentives to boost take up of measures worth around £150M each year for 3 years from 2014/15. Will be designed to dovetail with the Green Deal and stimulate the flow of more private finance into energy efficiency.
  - Stamp duty rebate worth up to £1000 (or £4000 for expensive measures) for those moving house (including those who don't pay stamp duty)
  - Scheme to support private landlords in improving energy efficiency of their properties
- Increasing funds available to Local Authorities this year through Green Deal Communities from £20m to £80m
- Keeping the Green Deal Cashback scheme open , and implementation of improvements to make it more straightforward and less time consuming
- Working with stakeholders to identify further possible improvements to be announced early next year
- £30M each year for 3 years from 2014/15 to fund public sector energy efficiency improvements





# Changes to the existing cashback scheme

We have already announced that the existing Green Deal Cashback scheme will continue as we work with Green Deal industry participants, consumer groups and partners to design these new schemes.

Further detail on changes to the scheme:

- The current Cashback scheme will be extended to June 2014.
- We will also review the current Cashback values to account for the additional costs to customers in installing certain measures. This will include, for instance, a significant uplift to the value for Solid Wall Insulation up to a maximum of £4000. Some cash-back rates are unlikely to change.
- This will help to drive demand across the range of Green Deal measures. Revised cashback values will be introduced early in 2014.

# Streamlining – short term improvements

Improving the Green Deal finance offer	Making Green Deal easier for customers	Making Green Deal easier for the supply chain
GDFC to offer 'Quote to Completion in a day'	New online tool on gov.uk	£1m of training for Green Deal installers
GDFC to increase Plan instalments by 2% per year	New and improved content on gov.uk	Working with industry to reduce the cost of insurance requirements
GDFC now providing more user-friendly Information Plan documentation	ESAS to offer new signposting service to local offers	Opening up access to Energy Performance Certificate data
Green Deal Finance opened up to landlords and tenants	New and improved Green Deal Advice Report	Increased flexibility for GDPs in how they install recommended measures
Green Deal finance available for more home improvements	MOT checklist of home improvements already made available	Extra support for GDPs not yet active in the market already available



# Streamlining – longer term improvements

## We will work with stakeholders to consider amongst others:

What adjustments can be made to how the “golden rule” controls what can be borrowed under the Green Deal

What more can be done to ‘blend’ the Green Deal, ECO and new subsidy schemes to ensure that customers get the best possible deal

How we can minimise the number of visits to a home for assessments, work and inspections – including moving straight from an on-line assessment to installation

What more can be done to give customers the best possible support throughout the Green Deal process

What more can be done to make sure that consumers get clear, joined up information about the different Government schemes available

## Next Steps

- While these slides cover Government's high-level proposals, it is not necessarily the totality of what we are consulting on
- We are considering whether there are policy or operational tweaks that could improve ECO (without materially increasing cost)
- Happy to consider suggestions from stakeholders

## Timeline

- December – February: development of policy detail
- February 2014: consultation
- July 2014: lay legislation in Parliament
- October 2014: legislation in force
- Retrospective delivery of loft and cavity wall insulation from 1 April 2014



# New incentives schemes

## £450 million over three years to boost energy efficiency plus £90 m public sector energy efficiency:

- energy efficiency grants of up to £1,000 for future home buyers to spend on important energy saving measures – equivalent to around half the stamp duty on the average house – or up to £4,000 for particularly expensive measures.
- scheme to support private landlords to increase the energy efficiency of their properties, which will improve around 15,000 of the least energy efficient rental properties each year for 3 years. Together, the home-buyers and private rental schemes will be worth £450 million over 3 years
- Not included in the £450 m is an additional £90 million over 3 years to improve the energy efficiency of schools, hospitals and other public sector buildings

# Design features

- Should we drive a whole house approach or individual measures?
- Type of incentive - cash reward after installation of measures? Cash reward for improving EPC rating? Upfront discount? Other?
- How should the home-buyer and Landlord scheme differ?
- How can we drive take up of solid wall insulation?
- How can we encourage blending of incentives whilst ensuring additionality?

Please submit feedback on these questions to [deccecoteam@decc.gsi.gov.uk](mailto:deccecoteam@decc.gsi.gov.uk) by 8<sup>th</sup> January 2014



# GD Communities

Increasing funds available to Local Authorities this year through Green Deal Communities from £20m to £80m

- Received a total of 39 bids, covering over 150 LAs (around half),
- approximately £80M worth of bids, aware of more bids LAs still intend to submit; some bids still need to reflect the impact of recent changes to ECO
- Focus is on area approach (e.g. street by street), hard to treat measures (e.g. HTT cavity and solid wall)
- Range of innovative bids: leveraging pioneer places work, range of incentive approaches, pilots in hard to treat sectors, innovative approaches to financing
- **Closing date for bids 31 December 2013**