

**EXPLANATORY MEMORANDUM TO**  
**THE DRAFT GREEN DEAL CODE OF PRACTICE**

1. This explanatory memorandum has been prepared by Department of Energy and Climate Change in relation to the draft Green Deal Code of Practice which is laid before Parliament pursuant to section 39(2) of the Energy Act 2011.

**2. Description**

2.1 This draft Code of Practice sets out requirements for those persons acting as Green Deal Providers, Green Deal Assessors, or Green Deal Installers (“Green Deal Participants”), or Certification Bodies. The requirements set out in the draft Code of Practice are designed to ensure that all Green Deal Participants and Certification Bodies will operate fairly and transparently; deliver good customer service; have appropriate levels of training and expertise, and provide appropriate redress mechanisms for customers.

**3. Matters of special interest to the Joint Committee on Statutory Instruments or the Select Committee on Statutory Instruments.**

3.1 None

**4. Legislative Background**

4.1 The Code will supplement the legal requirements for Green Deal Participants and Certification Bodies set out in Part 1 of the Energy Act 2011 and the Green Deal (Disclosure, Acknowledgement, Redress etc.) Framework Regulations 2012.

4.2 Regulation 10 of the Framework Regulations states that the Secretary of State must issue a Code of Practice for Green Deal participants and Certification bodies. Section 39 of the Energy Act 2011 requires the Secretary of State to lay a draft of this Code before Parliament, prior to the Code being issued. If, after a 40 day period, neither House of Parliament has resolved not to approve the draft, this draft Code may be issued by the Secretary of State.

4.3 This Code will be issued by the Secretary of State for Energy and Climate Change once it has been scrutinized by Parliament. The draft Code currently refers to certain documents which will be published when the Code is issued at the launch of the Green Deal (for example, the the licence for the use of the Green Deal Mark by Green Deal Participants). The Code will be subsequently be managed, and compliance with it monitored, on the Secretary of State’s behalf, by the Green Deal Oversight and Registration Body. This Code may be reissued or revoked from time to time by the Secretary of State. All Green Deal Participants and Certification Bodies must comply with the current version of the Code.

**5. Territorial Extent and Application**

5.1 This Code will apply to Great Britain.

## **6. European Convention on Human Rights**

6.1 No statement is required.

## **7. Policy background**

7.1 Improving energy efficiency in properties in Great Britain will help the Government achieve the following objectives: (i) reducing the UK's harmful greenhouse gas emissions; (ii) improving energy security by reducing overall demand for energy; (iii) tackling fuel poverty by helping to reduce the cost of heating a home to a reasonable level; (iv) increasing productivity (with the potential to boost growth and business competitiveness) and (v) reducing the costs of meeting the UK's renewable energy target through more efficient energy use.

7.2 At present there are market failures along with some barriers which are reducing the take up of cost effective energy efficiency measures. To address these issues, several options were considered by the Department for Energy and Climate Change (detailed in the Impact Assessment).<sup>1</sup> The preferred option was to enable a more market-focussed approach to delivering energy efficiency measures, where competition was anticipated to drive take-up.

7.3 The Green Deal aims to: overcome difficulties accessing capital for energy efficiency improvement measures; correct mismatched incentive problems, such as individuals only investing in energy efficiency measures for the length of their own expected tenure in a property; and provide a trustworthy framework of advice, assurance and accreditation for the energy efficiency supply chain.

7.4 The Energy Act 2011 made provision for the development of a Green Deal. Through the implementation of secondary legislation an innovative scheme has been developed which allows the cost of energy efficiency improvements to a property to be paid off in instalments, under a Green Deal plan, via the electricity bill for the property and by the person who is the bill payer at the time an instalment is due.<sup>2</sup> Accordingly, when the electricity bill payer for a property changes, the obligation to pay Green Deal instalments will remain with the property and will pass to the new bill payer. The disclosure and acknowledgment requirements that will be in place are designed to ensure that the new energy bill payer is made aware of the Green Deal plan, prior to taking over responsibility for payments.

## **8. Consultation outcome**

8.1 On 23 November 2011, the Department of Energy and Climate Change launched a consultation on proposals for the Green Deal. The consultation also covered the Energy Company Obligation (ECO) which is being implemented through separate legislation. The consultation proposals were published on the DECC website alongside a number of supporting documents, including a draft impact assessment and

---

<sup>1</sup> [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

<sup>2</sup> Secondary legislation is available at: <http://www.legislation.gov.uk/>

draft statutory instruments (SIs).<sup>3</sup>

8.2 The consultation sought views across Great Britain on all aspects of the proposals. The consultation was complemented by DECC participation in various stakeholder events, hosting of blogs and a webchat, industry workshops, and stakeholder factsheets on our website to help make the content accessible. The consultation closed on 18 January and received over 600 written responses from a variety of organisations and individuals.

8.3 Feedback from the consultation directed our revisions towards strengthening consumer protection, reducing industry burdens and improving behind-the-scenes operations. Crucial to the success of the Green Deal is a robust customer protection regime that will inspire confidence and provide a secure platform on which all Green Deal and ECO participants can operate. Nonetheless, it is important that Green Deal and ECO policies achieve the right balance between customer protection and costs for commercial participants. Excessive costs will either act as a barrier to entry, preventing a diverse and competitive market, or will be transferred to customers. In order to achieve this balance, we have tightened protections for Green Deal and ECO customers in appropriate areas, giving them confidence and providing improved safeguards for the vulnerable, whilst at the same time incorporating sufficient flexibility in the legal framework to attract market participants.

8.4 Further details of respondents' views, together with Government's response, Impact Assessment and associated publications are available on the Department's website.<sup>4</sup>

## **9. Guidance**

9.1 Guidance documents for potential participants in the Green Deal scheme will be made available on the DECC website.

## **10. Impact**

10.1 The Green Deal is a voluntary scheme. The Green Deal Code of Practice will only apply to businesses, charities or voluntary bodies and other persons if they choose to participate in the Green Deal scheme.

10.2 An Impact Assessment has not been produced for this draft Code of Practice as no specific impact on the private, voluntary or public sectors is foreseen. However, an Impact Assessment relating to the draft Green Deal Framework Regulations (Disclosure, Acknowledgement, Redress etc) 2012, pursuant to which this Code of Practice will be issued, was published on the OPSI website. That impact assessment is up-to-date.

---

<sup>3</sup> [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

<sup>4</sup> [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

## **11. Regulating small business**

11.1 In total, it is estimated that the new requirements could lead to a modest one-off cost to microbusinesses. These estimated costs are small in comparison to the size of risks they mitigate and the overall importance of the accreditation framework to Green Deal. Consumer confidence in the Green Deal will be vital if it is to encourage significant take-up of energy-efficiency retrofitting. A strong accreditation framework will help ensure that consumers can have confidence in the products and services they receive without worrying about the risks of rogue businesses.

## **12. Monitoring & review**

12.1 This Code will be issued on 1 October 2012 by the Secretary of State for Energy and Climate Change, subject to its scrutiny by Parliament.

12.2 The Secretary of State is not obliged to carry out a review of this Code , but in accordance with best practice the Secretary of State will carry out a review of the regulatory system established by Green Deal legislation and this Code, and publish a report on the findings five years after they come into force.

## **13. Contact**

Rob Davis at the Department of Energy and Climate Change can answer any queries regarding the Code. Tel: 0300 068 5165 or email: [Robert.Davis@decc.gsi.gov.uk](mailto:Robert.Davis@decc.gsi.gov.uk)