

RESEARCH SUMMARY

Understanding Potential Consumer Response to the Green Deal

November 2011

Executive Summary

This research summary presents the key findings from three pieces of research commissioned by the Department of Energy and Climate Change between December 2010 and April 2011. The research aimed to capture initial consumer response to the Green Deal – a new Government framework designed to improve the energy efficiency of Britain’s building stock.

Methodology

The research aimed to provide an understanding of overall response to the Green Deal concept, any key motivators or barriers and concerns or issues from a consumer perspective. Views on key Green Deal components relating to advice, assessment, installation and accreditation and finance were gathered.

The research comprised:

- A survey of a representative sample of 2,023 participants across Great Britain. The sample covered 1,684 owner-occupiers and 339 tenants in private rented properties.
- Qualitative research with homeowners and small to medium sized enterprises (SMEs). Eighteen discussion groups with a broad range of homeowners; and 16 in-depth interviews with vulnerable homeowners and 16 in-depth interviews with SMEs were conducted.
- Qualitative research with landlords and tenants in the domestic private rented sector and among businesses. The sample included 10 focus groups with tenants (in both the domestic and commercial sector), 2 focus groups with domestic landlords; and 8 in-depth interviews with domestic landlords and 8 in-depth interviews with commercial landlords.

The Green Deal was presented in the research using neutral terminology as a “new initiative” or “home improvement plan”. The term Green Deal was not used but is used in this summary for ease of reference. It was also not presented as a Government initiative and any reference to Government involvement was spontaneously raised by research participants.

The social housing sector was not covered and remains an important area for future research.

Findings across all pieces of research were fairly consistent and an overall summary is provided. Where differences were observed between groups, these are presented. Any percentages refer to findings from the survey.

DECC's research with consumers is published alongside the publication of the 'Green Deal and the new Energy Company Obligation (ECO) consultation on secondary legislation' which sets out the policy proposals for developing the Green Deal.¹ Some of the proposals are highlighted in this summary where there is a direct link to the research findings.

Caveats

It is important to note that the research tests reactions to an initiative at the early stages of development. The Green Deal will be delivered through private sector providers who will develop, communicate and market it, to maximise demand. Since the Green Deal is a future initiative yet to be market tested, this research could only cover initial reaction to the overall concept and core elements. In reality, the offer put to the consumer may build on an existing awareness of the Green Deal and take a variety of forms and include incentives which could not be accounted for in this research.

Key findings

Demand for energy efficiency improvements

The top reasons participants gave for being prevented from doing more to make their home energy efficient was a lack of money (35%), already doing enough (24%), too much hassle or disruption (15%) and a lack of time (15%).

Participants said they would be encouraged to make their home more energy efficient if it led to a reduction of costs (46%), at the availability of a subsidy or grant (32%), if they had convincing information that installing measures would lead to a warmer home and lower energy bills (24%) and if they received information from a trusted source on how to reduce energy use (19%). Discussions with participants showed an expectation among some that energy efficiency measures should be discounted based on general awareness of deals or grants, or having either received or seen them advertised in the past.

In the survey, when participants were asked to select between different Green Deal packages, the key influencing factor driving preference was the type of energy efficiency measure (32% of likely take up was influenced by a preference for a particular measure) suggesting that a perceived need or desire for energy efficiency measures is required to give impetus to the Green Deal.

¹ See http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

Attractiveness of the Green Deal

The main attractions of the Green Deal for participants were lower energy bills (67%), a warmer, more comfortable home (46%), not wasting energy (37%) and being better for the environment (24%). Almost a fifth of participants (18%) said it was good that it enabled a spread of payments over time. While lower energy bills are important, many people seek warmer homes and benefits for the environment.

Some of the features perceived as less attractive were the cost of improvements (35%), the length of the payment term (33%), the hassle/physical disruption of making improvements (31%) and uncertainty about the costs being on the energy bill of the property (20%). A third (33%) had a preference to pay the cost up front rather than spreading it over time.

Trigger points

The survey found that preference for taking out a Green Deal was driven by the perceived need for an energy efficiency measure. Green Deal packages including boiler replacement or upgrade were more popular than packages with unfamiliar measures such as solid wall and underfloor insulation.

Discussions with participants identified a number of trigger points for when they would consider taking up energy efficiency measures. These included the purchase of a new property – particularly a long-term investment or final move, a major renovation or refurbishment of a property and the replacement of a boiler or heating system. The survey showed a higher than average likelihood of taking up a Green Deal package among those who had undertaken recent changes and who were planning to move or refurbish their homes soon.

In the survey, three fifths of participants said they plan some home improvements in the next 12 months with a third planning substantial refurbishments.

Key audiences

The survey showed that the groups with higher levels of interest in taking up a Green Deal offer were younger, male, those on means tested benefits, households needing two or more energy efficiency measures, those with homes that are hard to heat, those who struggle to pay their bills, those who live in rural areas and the affluent. In contrast, the survey also showed that those households including someone aged over 70 or in receipt of a benefit were less likely to take up a Green Deal offer compared to those in the non priority groups.²

² Priority groups defined under CERT include people in households with someone aged over 70 or in receipt of a benefit.

Participants response to elements of the Green Deal package

Advice

Participants said they would expect individual Green Deal providers to be the main contact point for advice and support and for lodging complaints. However, a separate contact advice service was viewed as being helpful at three points: Firstly, at the contemplation stage (prior to committing to an assessment) to seek advice on a property's suitability for the Green Deal; secondly, following the assessment and prior to selecting a provider, to access price comparison information online; and thirdly, as a final course for redress, if a complaint is not dealt with satisfactorily by a Green Deal provider.

Assessment

Discussions with participants showed that a particularly appealing aspect of the Green Deal was the tailored onsite assessment providing people with recommendations based on their property, household occupancy and current energy usage. There was support for being able to take the recommendations from an assessment and shop around among providers for the best deal. The survey showed that 68% of participants said they would be more likely to take up the Green Deal if they were able to choose from a range of suppliers to carry out any work, after the assessment. A further fifth of participants (21%) said it would make no difference to their likelihood of take up and a minority (10%) said it would reduce their likelihood of take up.

Discussions also showed that participants wanted assessments to cover behavioural advice on how to improve their energy efficiency so they could ensure they maximised potential savings available through Green Deal measures. In the consultation document, we propose that assessments cover the wide range of efficiency measures available at a property, including behavioural advice.

Consumers expressed a preference for the assessment to be by invitation/ appointment only. There was a general reluctance for a "hard sell" approach by providers, with marketing tactics used by a number of cold calling or door-to-door salesmen disliked.

Installation

Discussions with participants showed a preference for choosing an installer from an approved list of suppliers made available through Green Deal providers. There was an expectation that local tradesmen could be accessed via these lists.

Participants wanted to see installers' credentials and ensure they were working to minimum standards. This would include warranties for the installations and the products installed, as well as high standards of customer service. There was an expectation that installers would be courteous and to leave a property in a good state. We are working with industry groups to develop strong accreditation standards and a code of conduct to reflect consumer expectations. Views are invited on the draft code of conduct attached to the consultation document.

Accreditation

Seven in 10 participants said their likelihood of taking out a Green Deal would be increased if installers and assessors were skilled and regulated. For just under a fifth of participants it would not have any impact on whether they took out a Green Deal, and for a minority (10%) it would reduce the likelihood of take up. Discussions with participants showed that they felt accreditation would help alleviate concerns about not receiving objective advice and having to deal with untrustworthy ('cowboy') builders.

In the research, participants were presented with a list of well known supermarkets, energy companies, DIY stores, high street retailers and building merchants and asked to identify which they thought might be a future Green Deal provider. The research showed that the potential wide variety of players in the market was welcomed by participants. They expected to see energy companies operating in this market, given that they are already associated with energy efficiency measures, but were also interested to see a range of other potential new players involved. Well known brands were considered to offer high standards of customer care and have suitable infrastructure and stability.

Visibility of Government

Discussions with participants showed an automatic expectation of a Government presence in the Green Deal, both at a local and national level. Participants wanted national Government to set regulations for standards of the work carried out under the Green Deal. Participants also felt it was important that Government was involved in setting and communicating the context and rationale for the Green Deal and helping to instil consumer confidence. In order for the Green Deal to enjoy widespread acceptance it was felt that endorsement by a trusted source was needed. Government was seen to be linked to encouraging positive environmental behaviours; and local Government was particularly viewed as a sector that could have a role in promoting the Green Deal. The policy proposals in the consultation document set out a number of ways in which local Government can get involved. National Government will also help build confidence in the scheme through a national energy efficiency advice service.

Financial

The survey aimed to understand participants' preferences in relation to Green Deal finance and how this might impact on overall demand. Participants were asked to choose which Green Deal package they would prefer based on a number of varying financial attributes. These were: the cost of an assessment, upfront payment, net savings, terms of payment and type of interest rate.

The findings showed that the greatest influence on choice of packages was the attraction of a particular measure (accounting for 32% of the preference for the Green Deal) followed by the length of the payment term (25%), level of net savings (18%) and lack of upfront cost (15%). Characteristics of the financing package such as a fixed or variable payment (7%), and the cost of the assessment (4%) were relatively less important. Participants preferred shorter payment terms, no upfront costs, no cost for the assessment, and high net savings.

The Green Deal presents a novel idea of the cost of energy efficiency improvements being attached to energy bills rather than to the individual or property. The survey found that just over half (53%) of participants said this method of payment would make them more likely to take up the Green Deal; almost a quarter (23%) said it would make no difference to their likelihood of take up and a similar proportion (22%) said it would make them less likely to take out the Green Deal.

Some participants were uncertain about the idea of passing on the charge and tended to see themselves liable for the full payment term, often considering it as a personal debt. Many were uncomfortable taking on repayments on their energy bills over a long period of time. The policy proposals in the consultation document are flexible enough to meet the needs of those who wish to extend the duration of the charge to the maximum permissible length as well as those who would rather pay the charge over a shorter time period, provided it still meets the golden rule. Nonetheless, Government will continue to work with potential Green Deal providers and other stakeholders to consider best how to communicate the difference between Green Deal finance and conventional personal debt.

Findings showed that no upfront costs could be a motivating factor to take up the Green Deal, but participants were also attracted by higher cost savings within the payback period. The overall novelty of the finance mechanism led to an understandable desire for a more flexible payment approach e.g. part-financing measures, early repayment or shorter payback periods. The policy proposals in the consultation document are entirely flexible: customers can part-finance Green Deal, repay early, or choose shorter repayment periods within the terms of the agreement. Over time, we would expect more consumers to become familiar with Green Deal finance and be more willing to take advantage to the fullest extent. We will be looking at how best to communicate the message that as fuel bills rise, consumers will see increasing levels of savings over time.

While participants liked the cost of any energy efficiency improvements being covered by savings on their energy bills, they wanted reassurance over the level of the net saving, if they took out a Green Deal. A lack of a guarantee for the savings reduced interest in the Green Deal with 62% of participants saying it would make them less likely to take it out, of which over a fifth (22%) said it would make them much less likely. A further quarter (24%) said having no guarantee would make no difference to their decision. The desire for a guarantee was particularly strong from those who struggled to pay their energy bills. Many packages of measures considered in the consultation document will deliver significant enough expected net savings to reassure consumers that they are likely to be better off. Government is also introducing a new Energy Company Obligation which will give energy companies flexibility to offer larger subsidies which generate higher net savings in order to encourage take up and alleviate consumers' concerns over the likely level of savings. At the time the research was conducted it was not possible to account for this or the greater savings over time as energy prices rise and the total cost of products decrease as demand rises.

Participants spontaneously suggested additional incentives to encourage further interest in the Green Deal – these were both Government and provider led. For example, a rebate on council tax, a reduction in stamp duty, cheaper tariffs and money off energy bills.

Private rented sector

The Green Deal will be available to those in the private rented sector. The research showed that this group had a slightly different response to the Green Deal compared with homeowners. Key differences were about who should have overall responsibility for the payment of measures; in a typical relationship between tenants and landlords, tenants hold responsibility for paying the bills and the landlord for financing major improvements. The fact that the Green Deal leads to the tenant financing the improvements was viewed by some as counter intuitive. The long-term nature of the charge was also seen to be at odds with the short-term nature of tenancies in the domestic market and for many in the commercial market. This is because the greater bill savings are likely to be achieved in the long-term once the repayment charges are paid off.

© Crown copyright 2011
Department of Energy & Climate Change
3 Whitehall Place
London SW1A 2AW
www.decc.gov.uk

URN 11D/898