

RESEARCH REPORT

Green Deal and the Private Rented Sector

Consumer research amongst tenants and landlords

Produced by Quadrangle

The views expressed in this report are those of the authors, not necessarily those of the Department of Energy and Climate Change (nor do they reflect Government policy).

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Executive summary

Background, objectives and method

DECC commissioned Quadrangle to conduct research among potential consumers of the Green Deal across the domestic and commercial private rented sector. The Green Deal is a new government initiative to improve the level of energy efficiency measures in UK homes and businesses. The intention is for the Green Deal to be a market led initiative, involving a number of providers.

The two primary aims of the research were (i) to explore the drivers and barriers to the Green Deal amongst tenants and landlords across both the domestic and commercial private rented sectors (excluding the social rented sector) and (ii) to identify how to stimulate interest and take up and establish the channels and intermediaries that would be most relevant.

The research was qualitative and comprised a series of individual face-to-face interviews and group discussions with a broad spread of tenants and landlords. There was a slightly heavier focus on the domestic sector than on the commercial sector in terms of the number of research sessions, and the commercial sector was restricted to small and medium enterprises (SMEs) with fewer than 250 employees and the commercial landlords who rent properties to these businesses.

The elements of the Green Deal that were viewed positively

Some tenants perceived that the initiative could enable them to have a warm home and a more comfortable place to work, whilst recognising energy efficiency helped the environment. A few commercial tenants and landlords anticipated that businesses which took up the Green Deal would have an accreditation as testament to their green credentials.

Domestic and commercial tenants and landlords liked the no obligation initial assessment and the ability to use any accredited supplier to undertake the recommended energy efficiency improvements. Some domestic tenants and landlords thought the free assessment would also be useful for obtaining general advice and information about easy to implement improvements that they could undertake themselves or outside of the Green Deal. Commercial tenants and landlords were shown stimulus that included a £250 fee or more (see Appendix 3) for the assessment, which was felt to be acceptable for the commercial sector. Similarly to the domestic sector, some commercial tenants and landlords felt this assessment would be useful for obtaining general advice about improvements that they could undertake themselves.

Domestic and commercial tenants and landlords felt the ability to select which accredited supplier to use would allow them to seek out a lower cost provider or one that they preferred to work with, such as a reliable contractor they had used previously, assuming they had gained accreditation.

The stimulus described the scheme as 'government backed' (see Appendix 3) and this was felt to give weight to the scheme and was viewed as official endorsement of the Green Deal. The stimulus gave examples of potential providers of the Green Deal, such as Sainsbury's, B & Q, Travis Perkins, E-on, local councils, etc. (see Appendix 3). The variety and stature of these providers was viewed positively by a large amount of both domestic and commercial tenants

and landlords, adding further reassurance across the private rented sectors. The consumer protection proposed as part of the scheme was seen as important and would provide additional peace of mind in the event of having any problems with the Green Deal.

Although the domestic and commercial tenants and landlords in this research did not regard the Energy Performance Certificate (EPC) as a material factor in tenants' decision on renting a property, there was high awareness of the EPC, and it was felt that it made sense to have information relating to the Green Deal documented on the EPC.

The initial interest in the first statement used in the stimulus was largely founded on the assumption that making energy efficiency improvements to a property would lead to an immediate cost saving. Domestic and commercial landlords also welcomed the potential to implement major energy efficiency improvements without any initial capital expenditure.

The elements of the Green Deal that were viewed less positively

Cost savings

The main reason why domestic and commercial tenants and landlords felt they would not take up the Green Deal, was largely because of the size of savings shown in the examples of packages of measures (see Appendix 3). Without a larger cost saving than shown in the illustrations used in the research, many claimed there was no motivation to undertake the major energy efficiency improvements covered by the Green Deal.

All focused on the fact that savings could not be guaranteed and of the possibility that they would not make a saving under the initiative. Domestic and commercial tenants and landlords did not identify readily under what circumstances they would be more likely to make a financial saving e.g. whether their usage was likely to be higher than the standard usage rates used in the calculation, and therefore there would be more potential to make savings.

The financial mechanism

Without a larger cost saving, the financial mechanism of the Green Deal was difficult for many tenants and landlords to accept. The research found that across much of the domestic market, and parts of the commercial markets, the landlord had responsibility for: making repairs; any maintenance; undertaking any improvements; and funded all of these, while the tenant paid the energy bill. The Green Deal's financial mechanism where the energy payer paid for the energy efficiency improvements challenged how the market currently works for many.

The ongoing payment on the energy bill was also often referred to and regarded as a debt, which was disliked by many domestic and commercial tenants and landlords, particularly in the domestic sector. The ongoing payment was a particular concern for domestic tenants on low income who felt that they would no longer be able to reduce their energy bill below the amount of the ongoing payment, even if they were to use no energy.

Any outstanding ongoing payment on the energy bill was also felt by many domestic and commercial tenants and landlords to make the property less attractive to prospective tenants

and owners, as they expected tenants and landlords would not want to take on the ongoing payment.

Providing consent

Eligibility for the Green Deal within the Private Rented Sector is dependent on both the tenant and landlord being in mutual consent about the proposed changes. Many tenants and landlords did not anticipate being asked for consent. Many domestic tenants and commercial tenants with short leases assumed that the landlord, if interested, would take up the Green Deal between tenancies, and therefore not need to ask for consent. The landlords who were responsible for funding improvements to the property and whose tenants paid for the energy bill could not imagine many tenants requesting the Green Deal. They reasoned that tenants would not want the inconvenience for minimal financial benefit.

All domestic tenants and many commercial tenants claimed that they would provide consent if their landlord asked for it.

Most domestic and commercial landlords claimed they would assess each request on its merits, with the duration of the tenancy being a major consideration. However, a few domestic landlords said they would be reluctant to provide consent, typically because they regarded the ongoing payment as a deterrent to future tenants.

Domestic and commercial tenants and landlords most interested in the Green Deal

A small number of domestic tenants were interested in taking up the Green Deal. The domestic tenants who were interested in taking up the Green Deal were in draughty and difficult to heat homes and planned to stay in their property for at least a few years. They were attracted by the notion of a warm and easier to heat home even without a substantial cost saving.

One of the domestic landlords who took part in the research was interested in the Green Deal. He conducted a regular cycle of refurbishment to his large portfolio of properties and felt the Green Deal would help him undertake major energy efficiency improvement alongside other improvements without an initial capital outlay.

The small number of commercial tenants who were interested in the Green Deal were attracted to a better working environment for staff. Some were interested when they thought there would be an accreditation scheme for businesses who took up the Green Deal, which is not part of the Green Deal as currently proposed, because it could potentially add to the company's 'green' credentials and therefore be good for the company image.

None of the commercial landlords expressed interest in the Green Deal as described in the research. Without a greater cost saving and higher demands amongst tenants for energy efficient properties they felt there was no strong motivation to take up the Green Deal.

Making the Green Deal more attractive to the private rented sector

Based on the findings from this research, a number of potential changes were identified which could help stimulate interest in the Green Deal. Many commercial and domestic tenants and landlords need assistance to identify when a cost saving on their total energy bill would be most likely. This could include which domestic and commercial properties are most likely to benefit from the Green Deal; how to assess higher than standard usage for a property; and the impact of increased energy prices.

Information along these lines would also help landlords make a compelling case for the Green Deal for future tenants who might otherwise be deterred by the ongoing payment on the energy bill.

Reaching tenants and landlords when they are most likely to be considering major improvements might also help increase interest in the Green Deal. For tenants, this is at the start of a tenancy when they might be requesting or considering improvements prior to moving in. For landlords, this is when they are considering refurbishing their properties.

There may also be potential to position the Green Deal in ways that do not lead to a focus on making a cost saving. Suggestions from the research included focusing on the idea of the energy efficiency improvement, such as a new boiler, at no extra cost or a warm and comfortable home and workplace at no extra cost.

Many felt more should be made of the environmental benefit. Although not expected to be a sufficient motivation in its own right, many in the private rented sector believed it would stimulate further interest.

Some tenants and landlords also expressed interest in incentives to encourage take-up of the Green Deal, as they would provide an immediate financial benefit. A discount on council tax or business rates, or some tax incentive for landlords were the most appealing of the incentives spontaneously suggested.

Although it changes the financial mechanism, domestic tenants in particular, also felt they would be more interested if the costs were shared with the landlord, particularly the ongoing payment on the energy bill.

Tenants and landlords claimed they would be more likely to consider the Green Deal if it gained momentum and there was widespread take up of the scheme. However, they were unable to identify how this might be achieved, even if heavily promoted.

The appropriate channels or intermediaries for the Green Deal to reach tenants and landlords

Based on the government backing and major organisations involved, participants expected the Green Deal to be heavily promoted through high profile campaigns on TV, billboards, the press and through participating retailers' stores.

They also anticipated direct mail and telesales activity by those involved in the Green Deal. In addition, a few more targeted channels and intermediaries were suggested, namely:

- The letting agent, in particular for the domestic market
- Trade and industry publications for commercial tenants and domestic and commercial landlords
- Landlord associations

Background and research methodology

The Green Deal is a new Government scheme that aims to improve the level of energy efficiency measures installed in UK homes and businesses. Through the Green Deal, the Government plans to create an open and vibrant market whereby a number of providers are free to provide a range of attractive and competitive energy efficiency offers for consumers, including both households and businesses.

DECC's two key audiences are:

- Within the domestic sector, UK households, of which there are approximately 26 million. These vary in terms of energy use and efficiency due to age and construction type of the property and household demographics. This customer group is responsible for 23% of UK greenhouse gas emissions, of which 82% come from heating.
- Within the commercial sector, UK businesses, public sector and third sector/not for profit organisations. Industry and commerce account for 25% of UK energy consumption. It is recognised that this customer group is very diverse, accommodating 1.8 million properties for example, which vary in terms of ownership, lease length, and age of construction.

For the Green Deal to have a significant impact, it is important that it works for all tenures and not just for owner-occupiers. The Green Deal offer of no upfront costs for energy efficiency measures could therefore be available to landlords, both domestic and commercial.

The precise details of the Green Deal are being developed, but there are a number of key elements:

- Advice
- Assessment
- Installation
- Finance
- Energy efficiency measures

Details of the Green Deal proposition used in the research are in the appendix.

Research objectives

The overall aim of the research was to explore drivers and barriers around Green Deal take up amongst landlords and tenants in the private rented sector, with a focus on the following key question areas:

- What are the drivers for take up amongst the domestic and commercial sectors?
 - What will encourage tenants and landlords to request/initiate the initiative?
 - What will encourage tenants and landlords to give consent?
- What are the barriers for take up amongst the domestic and commercial sectors?
 - What will prevent tenants and landlords requesting/initiating the initiative?
- What steps can be taken to make the Green Deal attractive to landlords and tenants on a voluntary basis?
- What are the most appropriate channels or intermediaries for reaching tenants/landlords with messages relating to the Green Deal?

Methodology and sample

A qualitative research approach was used to gain feedback from landlords and tenants across the domestic and commercial private rented sector. The research was designed to provide an in-depth understanding of consumer reaction to the Green Deal. The findings are illustrative of the types and range of views held. However, the respondents in the research were not selected to be a representative sample of the public so findings cannot be generalised to the whole population.

The qualitative research comprised:

- 10 focus groups with tenants: 6 with domestic tenants representing a mix of incomes, age and life stages and 4 with commercial tenants representing a mix of SME types, and property types
- 2 focus groups and 8 individual face-to-face interviews with domestic landlords
- 8 individual face-to-face interviews with commercial landlords renting to SMEs

Respondents were recruited to take part in the research using a ‘free-find’ or snowballing sampling method i.e. recruiters used their contacts to find appropriate participants from the general public. Quotas were used to ensure a good spread of different respondent types participated in the research (e.g. age, income, property type, household, etc).

A detailed breakdown of the sample can be found in Appendix 1. In summary, the following table shows the sample breakdown factors for tenants and landlords across the private rented sector.

Tenants			
Sample factors used for Domestic		Sample factors used for Commercial	
1	Age	1	Amount of employees

Tenants			
2	Life stage	2	Property rented/ leased (i.e. office, retail, warehouse, etc)
3	Income		
Landlords			
Sample factors used for Domestic and Commercial			
1	Individual or company/organisation		
2	Size of portfolio (i.e. one rented property, 2-10 properties. etc)		
3	Whether the income from their rental property was their primary source of income or not		

The research was conducted across England, Scotland and Wales.

The research groups lasted approximately 2 hours and the in-depth interviews, an hour. Copies of the research discussion guides can be found in the appendices.

All respondents were given detailed information packs (see Appendix 3) during the research sessions which outlined the detail and mechanics of the Green Deal initiative.

Chapter 1. Background context to the private rented sector

Domestic tenants and landlords

This section outlines the market dynamics that influence the domestic private rented sector's reactions to the Green Deal, which are covered in the following order:

- The relationship between tenants and landlords in the domestic private rented sector
- Domestic tenants' short-term attitude towards renting
- Property improvements by landlords and the dynamic of who funds and takes responsibility for property improvements
- Energy efficiency in the domestic private rented sector, including the role of EPCs

The relationships between tenants and landlords in the domestic private rented sector

The relationship between domestic tenants and domestic landlords was seen by many to be distant, especially when dealing through a managing, letting or estate agent. Contact was made only when necessary e.g. when maintenance work or repairs were required, or a check-up on the property was arranged by the more diligent landlords. Many domestic tenants and landlords felt that this remote relationship was appropriate.

“The agency are under strict instructions not to give out my number. I don’t need to be talking to my tenants. I bought the houses to be my pension, but I work at the moment. I’m not up for that sort of involvement.” (Domestic landlord, Individuals with 10+ rented properties, Not primary source of income, Manchester)

“I have as good a relationship as they allow. I’m there when they need me to do maintenance work. It’s in my interest to keep them happy. I don’t like being too hands on though; I let them get on with it.” (Domestic landlord, Company or organisation with fewer than 25 properties, Not primary source of income, Manchester)

“Our relationship is perfect; he fixes things when he needs to, otherwise he stays away.” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

There was more variation in the landlord-tenant relationship amongst the landlords with only one or a small number of properties. While the remote relationship, with all contact being via the agency, was still evident, some individual landlords expressed a personal attachment to their property and their tenants and as a result had a more friendly or even personal relationship with their tenant. This was echoed by the experiences of tenants whose landlords owned a single property or only a small number of properties.

Mail addressed to the landlord was differentiated by tenants, somewhat subjectively, by what was considered important or not. Official looking and named mail tended to be kept and passed on to landlords either directly or via the agent or in a few cases the landlord collected it. Items that were considered generic and looked like sales or marketing materials might also be passed on by a few more diligent tenants, but were largely discarded.

Domestic tenants' short-term attitude towards renting

Amongst the Domestic respondents in the research, leases were typically short term (Assured Shorthold Tenancy), lasting a year, and often with a six-month break clause.

Domestic tenants demonstrated a short-term mindset about the properties they rented. Most tenants in the private rented sector, even those who had been in their property several years, did not consider where they lived to be their 'property' or even their long time 'home'. It was often simply described as somewhere they lived. Many tenants appeared to have little emotional attachment to the property they occupied.

"I wouldn't want this sort of responsibility on a place I don't see as my home" (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

"I mean if I was looking at my house as my long term home then potentially I would be interested, but it's not" (Domestic tenant, 35 – 55 couples with and without children, in a single accommodation, flat or house, High/average income, London)

While domestic tenants wanted a comfortable place to live, many tenants expressed little sense of ownership or responsibility towards the property. Few tenants seemed to be willing to ask their landlord for general improvements unless they were remedial (except possibly at the start of the tenancy). Major refurbishment work was rarely requested by the tenants who took part in the research. The few examples cited, either by tenants or landlords, were of a new or refurbished bathroom or kitchen, requested by new or longstanding tenants.

Domestic tenants who stayed more than a year or two were appreciated by landlords. They avoided the inconvenience and expense of having to find another tenant and a potential void period when they would receive no rent. Consequently, landlords claimed to be more receptive to making improvements for long standing tenants, should they be requested, to keep them happy and encourage them to stay longer.

Property improvements by landlords and the dynamic of who funds and takes responsibility for property improvements in the domestic private rented sector

Many domestic landlords undertook some refurbishment work on purchasing a property, unless it had a sitting tenant or was already in good order. The refurbishment work included new boilers, new heating systems, new windows and insulation. Thereafter, it tended to be more about refreshing the property between tenancies, which typically involved minor repairs and redecoration.

"You don't want to be doing major refurbishment work when they're in there. But when you get it and it's empty, or when you're in that transition that's when you'll do the big stuff if it needs to be done" (Domestic landlord, Individual with one rented property, Not primary source of income, London)

Work undertaken during a tenancy tended to be limited to repairs, although landlords claimed they would take the opportunity to make other improvements when major repairs were also necessary, for example, replacing a bathroom suite after a flooding, or insulating the loft accompanying repairs to a roof. The more commercially minded landlords who treated their property portfolio as a business had more established two to three year refurbishment cycles. Their aim was to prevent more costly, major refurbishment work at a later date and to ensure their properties remained attractive to prospective tenants.

The research found that both tenants and landlords expected that landlords were responsible for the cost of all repairs and improvements. Even in the few examples of major refurbishment work being requested by the tenant, the improvements were still funded by the landlord, although there was one incidence of a small agreed increase in the rent. The only work that tenants considered paying themselves for was cosmetic and decorative such as painting walls a different colour.

Energy efficiency in the domestic private rented sector

The main focus for domestic tenants when looking for a property to rent was the level of rent, location and appearance of the property (both in terms of attractiveness and how well maintained it was).

“The only thing I was focused on was getting a flat in the area I wanted, then the rent and the tenancy” (Domestic tenant, 56+ with and without other adults/ children in household, Low/average income, Cardiff)

Landlords said they focused on the appearance of the property to attract prospective tenants.

“I think it’s just a cosmetic thing for them, like they get a feel of whether they want to live there when they walk in and see magnolia throughout, new carpets and it’s all nice and clean” (Domestic landlord, Individuals with 2 – 10 rented properties, Not primary source of income, Birmingham)

Energy efficiency was a consideration for both domestic tenants and landlords, but was very much seen as a secondary concern. For some it was appreciated more as a by-product of other things rather than being important in itself, for example, double glazing held more immediate appeal than wall insulation for many participants because it is also seen as aesthetically appealing.

While some domestic tenants had asked about the cost of energy bills along with council tax etc, this was from the perspective of assessing the affordability of the property, rather than energy efficiency per se.

Some more experienced tenants have asked about double glazing and, less often, about insulation and the central heating system/ boiler etc. However, they were just as motivated by factors such as adequate levels of sound proofing (insulated walls); security (double glazing); and the susceptibility of the property to problems (age and history of repairs to the central heating and hot water system), as they were by energy efficiency and their impact on energy bills.

Landlords felt that a warm and easy to heat property was appealing to potential tenants, but not one that commanded a higher rent, and was very much secondary to other factors such as an attractive kitchen and bathroom. This view reflected the priorities of many tenants in the

research. The improvements to heating systems, the insulation and the other energy efficiency measures landlords had implemented were simply regarded as common sense practices to ensure a well maintained property. However, one domestic landlord was more environmentally conscious and had been motivated to change a boiler and install double glazing for energy efficiency and environmental reasons.

Landlords did not view these improvements as discrete energy efficiency investment decisions, and as such their impact on energy efficiency and the return on investment were never assessed. Even when landlords included energy bills in their rent they were more concerned with flagrant misuse of energy by tenants than making their property energy efficient per se.

Energy Performance Certificates (EPCs)

Domestic landlords and many domestic tenants were aware of EPCs, and landlords in particular understood they were legal and obligatory. However two domestic landlords in the research believed they did not require an EPC for their properties.

While domestic tenants claimed they were shown an EPC, typically by the letting agent, they were often unclear of their role. None of the tenants in the research had ever asked to see the EPC and all of the domestic landlords claimed that they had never been asked to show the EPC to a tenant. As a result domestic tenants and domestic landlords felt the EPC holds little value.

“I do EPCs for buildings, but I don’t think anybody really cares about them. I don’t even know what my properties are.” (Domestic landlord, Individuals with 10+ rented properties, Not primary source of income, Manchester)

Commercial tenants and landlords

This section outlines the market dynamics that influenced the commercial private rented sector's reactions to the Green Deal, which are covered in the following order:

- The relationship between tenants and landlords in the commercial private rented sector
- The dynamic of who funds and takes responsibility for property improvements, including refurbishments
- Energy efficiency in the commercial sector, including the role of the EPC

The relationship between tenants and landlords in the commercial private rented sector

The relationship between tenants and landlords in the commercial sector was regarded as a distant business relationship.

“It’s quite business like to be honest. I don’t see much of him. He only very rarely gets in touch with us.” (Commercial Tenant, SME’s with 10 - 100 Employees, Warehouse and Factory Property Use, Sheffield)

The level of contact between tenant and landlords was largely influenced by the type of commercial lease. Commercial tenants with leases where they had all or most of the responsibility for the maintenance of the property and funding any improvements tended to have little, if any, contact with their landlord. Other commercial tenants contacted their landlord when work or repairs were required.

Commercial tenants claimed they rarely received mail addressed to the landlord. When they did, official and more important looking mail was passed on to the landlord whereas circulars and general marketing literature were discarded.

The dynamic of who funds and takes responsibility for property improvements, including refurbishments in the commercial private rented sector

Within the commercial sector there was a spectrum of whether the tenant or landlord took responsibility and funded work and improvements to the property, determined by the terms of the lease agreement. Terms of commercial leases varied greatly, not only by which party took responsibility but also by the length of the lease.

At one end of the spectrum were the smaller SMEs, typically in offices. The dynamics here were similar to that found across the domestic sector. These commercial tenants were on short leases, although they could be for longer than a year. The tenant paid the rent and the energy bill, or the energy bill was included in service charge/rent. Landlords were responsible for making and funding improvements to the property. Few tenants at this end of the spectrum implemented their own improvements to the property or had requested major work or improvements to be made by the landlord. The premises were largely geared to the usage requirements of the tenant, and typically little further work was required to make them suitable to the business.

When work was requested it was essentially to make the property more suitable for the business's requirements such as wall partitioning and IT improvements.

Some commercial landlords claimed that the current economic climate had reduced business confidence, and smaller businesses were seeking shorter term leases where the landlord was responsible for the maintenance of the property.

At the other end of the spectrum, were those tenants who leased commercial properties (typically warehouses and factories, but also office, retail and leisure premises) for 10 years and longer. These tenants had full responsibility for making and funding any improvements, and ostensibly took ownership of the premises for the length of the lease. While major improvements would need consent from the landlord, this was typically felt to be a formality.

"I generally try not to interfere with their business. They only get in touch when they need to make a change, such as put up a partition wall or re-paint. I am generally always happy to give them permission and they go off and pay for it themselves." (Commercial Landlord, Companies or organisations or individuals with 6 - 10 commercial properties, London)

For other leases the tenure and the level of responsibility for work and improvements that either the landlord or tenant would have, was negotiated at the start of the lease. There was considerable variation in terms. For example, in return for a longer lease some landlords would be prepared to undertake and fund work at the start of the lease, and provide maintenance and repairs, but not any future improvements. In other instances, any work a business required at

the start of the lease would be funded by the tenant and in return they would obtain a reduced rent or a rent free period. Responsibility for any subsequent repairs and improvements would be negotiated as part of the lease.

“We agreed under the tenancy agreement that anything that was a non-moveable fixture to the property, such as the air handling units, roller shutter door or the lighting would be under the landlord’s expense if we were to change it. However, anything personalised to our business, such as racking, would be deemed our cost.” (Commercial Tenant, SME’s with 10 - 100 Employees, Warehouse and Factory Property Use, Sheffield)

Energy efficiency in the commercial private rented sector

The main focus for commercial tenants in selecting premises was the suitability for the business, the rent and location of the property. Appearance was also important for some businesses that wanted to move into a property that required little work, but less of a priority than in the domestic sector. This was because (as seen above) lease agreements in the commercial sector often gave more control over what tenants could do to a property, with some commercial properties being rented out as shell units.

Within the commercial sector, the research found that tenants were more concerned about energy efficiency than landlords, due to the fact that energy can be a significant business cost.

The recent rise in energy costs had encouraged some businesses, especially those with longer leases, to implement or request energy efficiency improvements, and one commercial tenant had obtained a grant for improvements to their warehouse property.

Examples from the research of improvements made and funded by the tenant were lowering ceilings, fitting lighting timers and changing the type of lighting. Examples of improvements that had been requested by tenants and funded by landlords were new boilers, lighting and heating controls, and secondary doors.

“The other thing that we’ve done is put energy efficiency lighting in because light is on all the time, because especially in the warehouse section, there’s no windows or natural light in there. So we put that in ourselves.” (Commercial tenant, SME with 10-100 employees, Warehouse and Factory Property Use, Sheffield)

“We’ve got a new air handling unit blowing vented air into the warehouse to keep an ambient temperature, a door curtain on the roller shutters so that we can keep the cold out and keep the warm in and he said he would do all those tasks if we were in a position to sign for a longer period.” (Commercial tenant, SME with 10-100 employees, Warehouse and Factory Property Use, Sheffield)

These improvements were assumed to bring a cost saving, but none of the businesses had assessed and monitored the energy efficiency improvements in any detail and were uncertain of the return on investment.

Commercial landlords in the research claimed to be happy to respond to requests for energy efficiency measures in the lease negotiations, but were not proactive in initiating improvements prior to finding a tenant. As work would probably be carried out on a property to suit the requirements of the new tenant, some commercial landlords felt it was not appropriate to undertake any improvements, including energy efficiency measures, beforehand. Other landlords felt undertaking major energy efficiency improvements on their property would not

attract more prospective tenants or command higher rent and therefore there was no commercial imperative to do so.

Two commercial landlords had had energy and environmental surveys carried out on their multi-tenanted buildings, but neither had made any major changes as a result. One landlord only wanted to learn about simple improvements they could make themselves. The other landlord, with a grant from the Energy Saving Trust, had changed the lighting, installed secondary glazing in the common parts of the building and put notices in their toilets and common areas about saving energy and water. They were deterred from undertaking major improvements due the disruption it would cause the tenants.

None of the commercial landlords in the research claimed that upfront costs had prevented them from implementing energy efficiency measures. Some commercial landlords were also aware of energy efficiency grants should they need help with the initial capital expenditure.

EPCs

Although energy efficiency was more of a consideration in the commercial sector, little value was attached to the EPC. Despite high awareness of EPCs none of the more recent tenants had requested to see one. All of the commercial landlords in the research also stated that they had never been asked to show an EPC to a tenant. They cited this as evidence that energy efficiency was not a major consideration in the decision-making of commercial tenants.

“They mainly want to look at the bills. They don’t tend to ask about energy efficiencies. I know most buildings should have energy efficiencies, we’ve done it in a few of them but we don’t have the EPC for everyone.” (Commercial landlord with companies/individuals with 10+ commercial properties, Edinburgh)

Chapter 2. Domestic tenants' and landlords' response to the Green Deal

The structure of this section follows the order in which the details of the Green Deal were shown and discussed in the research:

- A brief introduction
- How the initial assessment and recommendations work
- How the Green Deal is paid for
- The Golden Rule
- Examples of how the Green Deal works with illustrative costs
- The requirement for consent in the private rented sector
- The providers of the Green Deal initiative and standards and accreditation

This section concludes by highlighting the domestic tenants and domestic landlords who would be most interested in taking up the Green Deal. The stimulus materials used to explain the Green Deal are shown in this section as relevant, and can also be found in their entirety in Appendix 3.

Reactions to the overall idea of the Green Deal

A new initiative

- A new initiative to create warm, more energy efficient and cheaper to run homes and businesses without the owner, landlord or tenants paying any upfront costs.
- So improvements to make your property easier to heat and cheaper to run, such as loft and wall insulation, can be carried out without any upfront costs.





Internal outer wall insulation



External outer wall insulation

1

All the domestic tenants and landlords in the research welcomed the initiative based on the brief introduction above. The initial interest from both parties was founded on the expectation that a 'warm, more energy efficient home and cheaper to run home' would be accompanied by a financial saving.

Some domestic landlords and tenants spontaneously recognised that energy efficiency also helps the environment and this added to the initial appeal.

The notion of no upfront costs was also a driver for initial interest amongst domestic landlords, who liked the idea that they could make improvements, and invest in their property, without the initial capital outlay.

“The no initial costs thing I do like, but I just think it would put the tenant off” (Individuals with 2 – 10 rented properties, Not primary source of income, Birmingham)

Nearly all the domestic landlords in the research regarded it as sensible practice to consider energy efficiency improvements from energy saving light bulbs to insulation, double glazing etc. as part of any refurbishment and therefore assistance in this area was welcomed. They envisaged that the Green Deal might help them make further and more substantial energy efficiency improvements that they might not otherwise have considered.

Reactions to the initial assessment and how the recommendations work

What's involved

- You request an objective energy efficiency assessment to be carried out *in home /onsite* by an accredited assessor. The assessment will make recommendations on potential energy improvements, tailored to your property.
- There will also be general advice on how you can **use** energy more efficiently, to reduce any unnecessary wastage
- The assessment will outline the cost of making the recommended improvements together with the expected energy savings based on a standard usage for a similar property.

2

Domestic tenants and landlords liked the idea that they could obtain free no obligation information on how to make their property more energy efficient and save money. The notion that the recommendations would be tailored to the property was also felt to be extremely positive. The fact that recommended work could be undertaken with any accredited provider was also appealing to both domestic tenants and landlords.

Some domestic tenants were particularly interested in the 'general advice', expecting to learn about simple and low cost measures they could undertake themselves without involving the landlord.

“That sounds really useful! I would definitely be interested in getting someone round to tell me about little changes I can make around the house for free, why not? As long as it’s no obligation to get the full thing” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

Similarly, some landlords liked the idea of having the assessment and then reviewing whether they might undertake the work themselves or through their existing building and maintenance contacts.

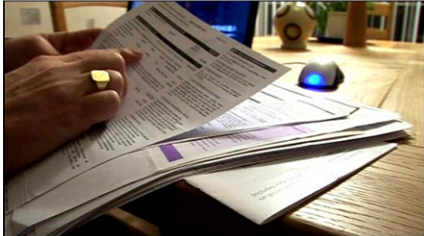
Reactions to a fee for the assessment were also assessed in the research. When a fee was mentioned it reduced tenants’ interest in the assessment. They talked themselves out of its value, claiming that energy efficiency advice was readily available elsewhere free of charge, for example through their energy supplier or on the internet.

Domestic tenants and landlords responded very positively to the ability of the Green Deal to take the recommendations from the assessment and seek out any accredited supplier. It led them to feel they could seek out lower cost suppliers or suppliers who they might prefer to use, for example a reliable contactor used previously.

Reactions to the Golden Rule and the financial mechanism

How is it paid for?

- The cost of the improvements to the property will be spread over an agreed number of years and added to the energy bill for the property.
- Whoever pays the energy bill (gas/electricity) will pay for the cost of the improvements.
- Only accredited companies can have the cost of the improvement added to the property energy bill.
- The cost stays with the property until the end of the agreed payment period, even when you move.
- So after you move the cost will pass onto whoever pays the energy bill.



4

The Golden Rule

- The expected savings on the property's energy bill should always be greater than or equal to the cost of making the improvements.
- The actual amount you save over the lifetime of the improvement will depend on the actual amount of energy you use and future fuel costs. Savings can not be guaranteed



5

An example of how it works

Home improvement recommended	Cost of the improvement	Expected fuel savings based on standard usage for a similar property	Cost per year added to the energy bill for the property	Expected overall cost saving	The payment term
Cavity Wall insulation with loft top up	£1,900	£170 per year, or, £15 per month	£160 per year, or, £13 per month	£10 per year, or, £1 per month	20 years
External solid Wall insulation (as part of major refurbishment)	£7,600	£393 per year, or, £33 per month	£388 per year, or, £32 per month	£5 per year	30 years
Internal solid wall insulation	£7,000	£390 per year, or, £33 per month	£360 per year, or, £30 per month	£30 per year, or, £3 per month	30 years
Boiler upgrade from G to A rated, plus easy to treat cavity wall insulation	£ 2,880	£370 per year, or, £31 per month	£340 per year, or, £28 per month	£30 per year, or, £3 per month	10 years

6

When many domestic tenants and landlords read the description of how the Green Deal would work as described in the 'Golden Rule' page of the stimulus, as well as the 'Example of how it works' page (see Appendix 3) they felt unlikely to take up the Green Deal. This was largely because of the size of the savings shown and that savings could not be guaranteed and therefore there was little motivation to undertake the major energy efficiency improvements covered by the Green Deal.

They stated that energy efficiency and/ or helping the environment without a personal financial benefit was not an appealing proposition.

"I'm all up for energy efficiency and being green and all the rest of it, but it seems like a lot of imposition and hassle for not a great deal of savings." (Domestic tenant, 35-55 couple, with or without children, in single accommodation, flat or house, High/average income, London)

"As a tenant, if my bills aren't being changed, while I do want to save the environment and God bless the rainforest, I'm not getting anything out of it." (Domestic tenant, 35-55 couple, with or without children, in single accommodation, flat or house, High/average income, London)

"You're only saving £5 a year. A pound a month. It's not going to make much of a difference. I've probably lost more money in my pocket walking down the street." (Domestic tenant, 35-55 couples with and without children, in a single accommodation, flat or house, Low income, Glasgow)

"It's more aimed at people with long term interests in the property, not a renter who is there short term." (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

"It's a good idea and ethically it's the right thing to do but everyone wants to know that financially it's a good idea. People think financially." (Domestic landlord, Company or organisation with more than 25 properties, Primary source of income, Cardiff)

This was compounded by the fact that the savings could not be guaranteed. Without a guarantee, domestic tenants and domestic landlords focused on the possibility that the total energy bill on the property (i.e. the energy cost plus the ongoing payment) could be higher than if they had not undertaken the recommended improvements.

"Extra money that I'm going to have to pay out and you're not guaranteed that you're going to save that money. The expected savings here are just minimal, it's not guaranteed. It could quite easily go the other way". (Domestic landlord, Individual with 10+ properties, Not primary source of income, Manchester)

The risk that the total energy bill on the property could be higher was especially off-putting to some domestic tenants, in particular those on low incomes who felt they could not afford to be worse off.

"I can't afford £30 a month, if I'm cold or want to save money I'll just put on a jumper." (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

“The main problem is not having a guarantee that this charge won’t end up costing you more. Sometimes I don’t have enough money at the end of the month, I wouldn’t want to risk this.” (Domestic tenant, 56+ with and without other adults/ children in household, Low/ average income, Cardiff)

In their view the Green Deal provided tenants with less control over their energy bill as they could not reduce it below the monthly ongoing payment, even if they used no energy.

“If you’re cold I’d rather just put more layers on. I only put the heating on when I need it, so my bills are so low that any place with a charge like this attached would be more than I pay now.” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

“So even if I go away for 3 months, I have to pay it?” (Domestic tenant, 35-55 couples with and without children, flat or house, High/average income, London)

The fact that the expected energy savings were based on standard usage for a similar property was not clearly understood by domestic tenants and landlords. They did not work out for themselves that if they had higher than standard usage for a similar property they would be more likely to make a cost saving. Once they understood this, some larger families, and some who then recognised themselves as heavy users of energy, were more receptive to the initiative. In contrast, some couples with no children in two or three bedroom houses then assumed their usage would be less than standard and concluded that they might end up with a higher energy bill, and were even less receptive to the Green Deal.

Whilst respondents were not against having work done if they stood to make a financial gain, in light of the small savings participants started to consider the inconvenience and, without any reassurance of a cost saving, this became difficult to justify. This was compounded by the fact that domestic tenants tended to have a short term outlook on the property they were renting. Essentially, many domestic tenants could not see why they should make the effort.

“People that rent from a landlord are those people who have ideas for going someplace else. They’re temporary.” (Domestic tenant, 35-55 couples with and without children, in a single accommodation, flat or house, Low income, Glasgow)

“I move around the country a lot, I wouldn’t want this sort of responsibility on a place I don’t see as my home.” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

“There has to be some incentive to get someone who is a tenant to go through all the hassle and inconvenience. It’s not your property, why would you go to the bother. The saving isn’t worth the effort.” (Domestic tenant, 35-55 couples with and without children, in a single accommodation, flat or house, Low income, Glasgow)

There were a few domestic tenants who lived in draughty and difficult to heat homes that were interested in the Green Deal even without a guarantee of a cost saving. They implicitly believed they would make a cost saving, and even if the energy efficiency improvements ended up being cost neutral, they were happy to have a warm, easier to heat home. They also had less of a short term outlook and expected to stay longer in their property, and as a result felt that would reap sufficient benefit over the length of their likely tenancy.

“I’d be happy even if it worked out as cost neutral but that’s because my house needs stuff doing to it and I’d see this as giving me a better home.” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

With a minimal cost saving and no reassurance that they would be financially better off, none of the domestic landlords in this research felt they would be interested in taking out the Green Deal. They considered the savings shown in the example packages to be small and so were not interested in undertaking anything beyond what they considered to be common sense measures.

“They’ve got a perfectly good working boiler that was G rated, honestly do I care. I know it’s a really good boiler.” (Domestic landlord, Individuals with one rented property, Not primary source of income, London)

“Every cost is a loss in profit. I’m trying to make money. I make sure cosmetically they are all fine and there are no further demands outside that I just wouldn’t do it.” (Domestic landlord, Company or organisation with fewer than 25 properties, Not primary source of income, Manchester)

“If I can make a cost saving or rent the property easier, only then would I bother with getting this done.” (Domestic landlord, Company or organisation with more than 25 properties, Not primary source of income, Sheffield)

“You would expect the savings to be greater not equal to any improvements. Improvement means more than equal.” (Domestic landlord, Company or organisation with more than 25 properties, Primary source of income, Birmingham)

The domestic landlords also could not imagine that any tenants would be interested in the Green Deal if it brought no cost saving.

“You need to be able to sell it to tenants and prospective tenants. Most of my tenants wouldn’t care either way or be motivated to find out what it’s about.” (Domestic landlord, Company or organisation with more than 25 properties, Primary source of income, Sheffield)

The few domestic landlords in the research who included the energy bills within the rent were also unmotivated by what they considered to be negligible cost savings in the examples shown in this research. Furthermore, since they could not control tenants' use of energy, their concerns were more focused on reducing the perceived misuse of energy rather than seeking cost savings through implementing major energy efficiency improvements.

The barriers that the financial mechanism present to the domestic private rented sector

The ongoing payment on the energy bill was difficult for many tenants and landlords in the domestic private rented sector to come to terms with for four reasons:

- It challenged the existing market dynamics of who funds improvements to the rented property. As most tenants in this research had short term tenancies, even those who had stayed in their property for several years had a short term attitude to improvements which are seen as investment in the property, unless the work is felt to be almost essential.

- It challenged the existing market dynamics of who has responsibility for making decisions about improvements to the rented property.
- It was seen as a debt.
- A perceived negative impact on future renting or selling of the property.

The dynamics of who funds improvements to the property

While domestic tenants and landlords accepted that a warm, energy efficient and easier to heat home were benefits to the tenant, the Green Deal was also seen as a benefit to the landlord in that improvements were being made to their property.

However, both domestic tenants and landlords focused on the fact that under normal circumstances the landlord, and not the tenant, would be responsible for funding improvements, even when they benefited the tenant. Under the Green Deal the energy bill paying tenant was felt to be funding the cost of the improvements, which was counter intuitive.

“I would resent paying for my landlord to have a better house.” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

As a result domestic tenants could not understand why they should fund the full cost of the improvements, when they do not make any significant saving, and in their view the benefit, seemed to lie more with the landlord. Many domestic tenants felt that if the landlord funded some of the cost of the improvements this would be fairer. This would lead to more of a personal saving on their total energy bill, which would make the initiative more appealing for them.

“This is your landlord’s property, it’s their investment, it’s their asset and I think they should be sharing the costs.” (Domestic tenant, 35 – 55 couples with and without children, in a single accommodation, flat or house, High/average income, London)

“My general feeling is that I think it’s a great idea. I’m all up for energy efficiency and, speaking as someone who’s got horrific utility bills, it sounds a good idea. However I feel very strongly that any long term improvements to the property should be a shared cost.” (Domestic tenant, 35 – 55 couples with and without children, in a single accommodation, flat or house, High/average income, London)

Domestic landlords also struggled to see why a tenant would take up the Green Deal without a cost saving, as the landlord would normally make the improvements covered by the initiative without any cost to the existing tenant. Domestic landlords claimed they were unlikely to pass on the cost to existing tenants of necessary improvements and refurbishment in the form of increased rent.

The responsibility for decision making for improvements to the property

When discussing the potential for tenants to suggest that the landlord should consider the Green Deal, some domestic tenants and landlords expressed unease at the idea of the tenant taking responsibility making decisions about improvements to the property. These tenants and landlords felt there was a material difference between (i) a tenant asking for repairs or minor renovation work at the start or during their tenancy and (ii) a request for major improvements

that costs thousands of pounds. The former was felt to be acceptable by both parties, the latter was not.

“I have had people come round offering free insulation and talking about making your home efficient. I always say ‘well it’s not my house’ and they say something about the fact you can almost force your landlord to do it, but I still say ‘leave me some paperwork to drop in to them but it’s up to them, I can’t say yay or nay” (Domestic tenant, 56+ with and without other adults/ children in household, Low/average income, Cardiff)

Indeed, some domestic tenants felt uncomfortable about the prospect of broaching the subject with their landlord. They were concerned that it would be seen by the landlord as overstepping the mark, and might annoy the landlord if they failed to handle the discussions carefully. As a result, they felt that it would be easier to broach the subject with the landlord if they were on good terms with them, but even then they felt sensitive handling would be necessary. Other domestic tenants claimed they would have no concern about broaching the subject with their landlord, if there were sufficient motivation, such as a significant cost saving for them.

A few landlords also felt the Green Deal gave their tenants too much authority on what improvements should be made to their property. They feared tenants would demand or expect the landlord to undertake the improvements because they had been recommended by an accredited assessor as part of a government backed scheme, which would put them in an awkward position if they did not.

The ongoing payment is seen as a debt

Many domestic tenants and domestic landlords referred to and could not overcome seeing the ongoing payment or charge on the energy bill as a 'debt'. The notion of debt was highly emotive, even if the monthly ongoing payment were only £30, as cited in one example, and would only be paid during the tenancy. The fact that the ongoing payment together with the lower energy bill would only equate to a small cost saving meant that these domestic tenants and domestic landlords did not consider the debt worth incurring.

“It’s almost like you’re saddling this poor property with this burden. It’s already a business trying to make my profit, but now it’s got another debt on top of it.” (Domestic landlord, Individuals with one rented property, Not main source of income, London)

Due to the ongoing payment, some tenants also felt uncomfortable that by taking the lead on the Green Deal they were essentially making a decision on behalf of their landlord and their future tenants on whether they wanted to have the ongoing payment. This was a further example where some domestic tenants considered they were overstepping their authority. Indeed, the ongoing payment was potentially a barrier that might prevent the few domestic tenants who were attracted to having an easier to heat property mentioning the initiative to their landlord, despite their own personal benefit.

Perceived negative impact of the ongoing payment charge on the energy bill on future renting or selling the property

There was considerable discussion about the impact of the ongoing payment for future tenants and prospective purchasers of the property were it to be sold.

Many domestic tenants stated that they would be put off a property if it had an ongoing payment on the energy bill.

“As people become more and more aware of this then my concern is moving, and probably renting again for the immediate future, and someone says right well your bills would normally be this, but we’re going through this initiative so your bills will be this. I’d say well you’ve done the work, the place is more energy efficient, why am I now paying for this?” (Domestic tenant, 35-55 years in a couple with and without children, in a single accommodation, flat or house, Low income, Glasgow)

“So the man before me moves out, I move in and have to pick up his bill? I don’t think so.” (Domestic tenant, 35-55 years in a couple, with and without children, in a single accommodation, flat or house, Low income, Glasgow)

Many domestic landlords also felt that the ongoing payment would act as a deterrent to future tenants, and they would be unable to justify it to future tenants, if they could not guarantee a lower total energy bill.

“So say if you went to an agent and you want to rent a property. They say well it’s £370. Yes, okay. Plus your £30 for the insulation bill, well they’re going to turn round and say well, hold on, that’s not benefiting me, that’s benefiting the landlord.” (Domestic landlord, Individuals with one rented property, Not primary source of income, London)

“Ten years, what would happen if somebody was only in it four years? Then it gets passed on to the next person? It’s bad enough trying to lease it out.” (Domestic landlord, Individuals with 10+ rented properties, Not primary source of income, Manchester)

For many domestic landlords the ongoing payment was seen as a disadvantage if they were to sell the property. They felt that the outstanding amount, which could be thousands of pounds, would be seen as debt on the property that potential purchasers would want taken off the price of the property. So whereas some participants felt that energy efficiency improvements could potentially add to the value of the property, when undertaken under the Green Deal landlords thought they could detract from the value of the property.

Consent from both parties

A key element of the Green Deal in the private rented sector is the need for consent from both landlords and tenants. However, consent was a difficult issue for many landlords and tenants to engage with as they could not envisage the situation occurring where the other party wanted to take up the initiative and requested consent. Indeed some domestic landlords imagined that any tenant who asked for consent was unlikely to have understood how the Green Deal worked, as they found it hard to understand why any tenant would want the Green Deal. Some domestic tenants could not understand why the landlord would not wait for the end of their tenancy to make the improvements, given the short term nature of tenancies.

On further discussion, the notion of consent seemed fair to many domestic landlords and domestic tenants, as the Green Deal impacts both parties. However, some landlords were less keen after reflection. In terms of obtaining consent from their tenants, all domestic landlords felt that, should they want to take up the Green Deal during a tenancy, it would be wrong not to ask any tenant who pays the energy bill for consent. However, the need to gain permission for making improvements to their property was perceived to run counter to the current dynamic

between tenant and landlord, and some were slightly annoyed by the idea that they would need to ask for consent.

Responses amongst landlords to whether they would provide consent should a tenant request it were mixed.

A few domestic landlords claimed they would not provide consent out of principle. They were annoyed that the tenant could have undue influence on the improvements made to their property. They felt the specification of any major improvements should be their responsibility and authority, not the tenant's. In their view their obligation to the tenant did not extend beyond making the property habitable and acceptably comfortable. This was particularly the case with a few individual landlords who owned one or a small number of properties, who exhibited a more personal and emotional attachment to their property or properties they rented out, and considered that the tenant would be overstepping their mark if they requested the Green Deal.

“How can they walk into my property and ask me that? I'd want to say ‘ok, well will you sign a contract promising to stay in the property for 10 years’ because you have to be responsible for paying it back if you want it” (Domestic landlord, Individuals with one rented property, Not primary source of income, London)

Some were concerned that tenants would start to demand work that the landlord would find unacceptable e.g. internal solid wall insulation that decreases the room size) or regarded as poor value for money. Although few landlords expected domestic tenants to ask for consent, some nevertheless resented the possibility that they could be put in the position of refusing a request from the tenant, which could potentially sour the relationship.

Many domestic landlords said they would probably take each request on its merits. The fact that the tenant was (i) sufficiently motivated to be interested in the Green Deal and incur the hassle of the work, (ii) was willing to pay the ongoing payment, and (iii) accepted that they might not make significant savings, would suggest that they were planning to stay a while in the property. On this basis, some claimed they would probably consent. A few were uncomfortable about this as they felt they would have no option if they did not want the possibility of upsetting and consequently losing a long standing tenant, despite their concerns about the financial mechanism. A few claimed that they would probably refuse because of the ongoing payment which they saw as a disadvantage in attracting future tenants and in the property's sale value.

A few landlords claimed that they would discuss the Green Deal recommendations with the tenant and work through which improvements they would agree to, but not through the Green Deal as they were keen to avoid what they saw as a debt on their property.

A few landlords claimed that they might refuse to provide consent, but would discuss other non energy efficiency improvements that were acceptable to them and that would make the tenant equally happy and stay longer.

Domestic tenants were more consistent than domestic landlords in their attitudes towards the provision of consent. All domestic tenants in this research felt they would provide consent should it be requested. Essentially tenants felt the landlord who owns the property had ultimate authority, and they had no right to refuse consent. Even if tenant did not want the improvements or the inconvenience of having the work, they felt they had no option but to provide their consent. Some domestic tenants reasoned that if the landlord wanted to

undertake the measures during a tenancy, there was a risk that the landlord would terminate the tenancy agreement at the earliest time possible if consent were not given.

Response to other elements of the Green Deal

This section covers domestic tenants and landlords response to other elements of the Green Deal in the following order:

- The potential providers of the Green Deal initiative
- Standards and accreditation
- Consumer protection
- Government backing
- Link with the EPC
- Costs in the cited examples
- Interest rate

The potential providers of the Green Deal initiative

Stimulus shown to Domestic tenants and landlords listed some potential providers of the Green Deal, such as Sainsbury's, B & Q, Travis Perkins, E-on, local councils, etc. (see Appendix 3). Domestic tenants and landlords welcomed the variety and stature of the cited potential providers of the Green Deal. Energy companies were considered to be obvious suppliers and were already associated with energy efficiency and other related initiatives. It was not always immediately obvious to domestic landlords and tenants, in particular tenants, how the other organisations would be involved. When tenants and landlords were told that organisations could apply to become fully trained and accredited suppliers of the Green Deal, the presence of high profile names that they trusted, gave the initiative strong credibility and legitimacy.

Some of the domestic landlords hoped that smaller building firms that they already dealt with would be part of the scheme as they expected them to be potentially cheaper than larger organisations.

Standards and accreditation

The fact that suppliers would be accredited and regulated was welcomed by domestic tenants and domestic landlords and gave them a certain level of reassurance about the standard of work.

However, there was some concern amongst domestic tenants and landlords about how this accreditation would be monitored, mainly expressed by those whose experience of accredited companies, either directly or via media or word of mouth, had been negative. Accreditation alone would not provide complete peace of mind, although it was felt to be a necessary step towards it in the absence of experience or knowledge of the accredited organisation. For landlords who regularly used particular trades people or building and maintenance companies, the relationship they had with them was felt to be more reassuring than a specific accreditation.

Consumer protection

Having consumer protection and a complaints procedure was expected of any major scheme, especially one that was government backed. Problems with building work when they occurred were felt to be (or believed to be by those who did not have any personal experience) potentially very difficult to resolve. Therefore, in conjunction with accreditation, participants felt that the consumer protection offered by the Green Deal gave domestic tenants and domestic landlords greater peace of mind should anything go wrong. Individual landlords with one or only a few properties assumed they would be covered by the consumer protection.

“Well, I would expect that, that you’d be protected as a consumer, because it’s Government backed”. (Domestic landlord, Company or organisation with more than 25 properties, Primary source of income, Birmingham)

Government backing

Government backing was extremely positive for many domestic tenants and landlords as it reassured them that the Green Deal was a bone fide scheme. They regarded it as official endorsement of the initiative.

“I think the fact that it is government backed is really important. I’d be more happy if it had a government stamp on it, it would make it a guarantee- a national initiative with proper backing”. (Domestic landlord, Individuals with 10+ rented properties, Not primary source of income, Manchester)

However, for a few domestic tenants and landlords who felt the scheme had not been well thought through for the domestic sector (i.e. it disregarded the current tenant/ landlord responsibilities and offered negligible financial benefit), the Green Deal did not reflect well on the government. They likened it to Home Information Packs which they cited as an ill conceived initiative which never took off and was ultimately abolished.

The link to the EPC

Having information relating to the Green Deal documented on the EPC made sense to domestic tenants and landlords as both related to the energy efficiency of a property. Also as the EPC is a legal requirement, both tenants and landlords felt it would be the most appropriate way to inform new tenants (or prospective purchasers) of the energy efficiency improvements that had been undertaken through the Green Deal and the details of the outstanding charge and ongoing payment attached to the property.

However, as the EPC was felt to have little weight, there was a slight fear amongst a few domestic tenants and landlords that unscrupulous landlords might fail to mention it, and two domestic landlords in the research said they might overlook bringing it to the attention of future tenants.

Costs cited in the examples

Landlords with a single property or a small number of properties were more likely to undertake refurbishment work themselves or through or in conjunction with local trades people and thus were used to being able to undertake refurbishment work at a relatively low cost. Many of these Landlords felt that the costs of the improvements that were shown in this research were

significantly higher than actual costs (products and materials as well as labour costs) and what they would consider paying or expect to pay. They claimed that the prices that they had seen some energy suppliers quote in their promotional material was far less.

“See even that leaves a sour taste doesn't it? You can get a roll of loft insulation for about £3.” (Domestic landlord, Individuals with one rented property, Not primary source of income, London)

This made a few domestic landlords extremely cynical about the scheme, and led them to feel that the major accredited companies and/ or the government would be the ones making money out of the initiative.

Low interest rate

The stimulus used in the research did not show the interest rate, but through calculation of the cost of the improvements and the amount paid over the payback period, it was clear to some domestic tenants and landlords that there was interest to be paid. When it was not clear, respondents asked. The examples in the research were based on 5% nominal and 3% real interest rates. When this information was provided to respondents, it was largely felt to be an acceptable rate of interest for a 'loan' in the domestic market. Indeed, for the businesses who were domestic landlords, it was felt to be 'cheap' money, should they be motivated to take the initiative.

However, as there was little financial benefit, tenants and some landlords felt that interest free payments would be more appealing, and would help deliver a slightly better saving.

“It would be so much better if they would just give you an interest free loan to do this but charge an interest on it just leaves such a, I don't get it 5% or whatever. I know we're not paying much back over but this is a long time so it's like 30 years on here 5% it's just”. (Domestic landlord, Company or organisation with 10 - 25 properties, Not primary source of income, London)

The domestic tenants and landlords who were most interested in taking up the Green Deal

There were a few domestic tenants who expressed an interest in the Green Deal as described in the research. They were tenants who lived in draughty and difficult to heat homes, who were as interested in a warm and easier to heat home, as they were in making a financial saving. However, even they could be concerned about the financial mechanism and were unsure whether the landlord would provide consent. They felt that the landlord might deny consent due to the negative impact on how future tenants might assess a property with an ongoing payment on the energy bill.

None of the domestic landlords in this research expressed interest in the Green Deal as described in the research. Without a cost saving, they felt there was little reason to take up the Green Deal. In addition, since the examples had shown that major energy efficiency improvements did not make a return on their investment for many years, it undermined their commercial value. In addition, they believed a property with an ongoing payment attached to its energy bill would be less attractive to prospective tenants or buyers.

“If you’ve got a short term tenancy agreement of six months to 12 months then it’s going to certainly maybe add some resentment of your tenant that they will be paying this for your benefit for the future rental of that property”. (Domestic landlord, Individuals with 2 – 10 rented properties, Not primary source of income, Birmingham)

Chapter 3. Commercial tenants' and landlords' response to the Green Deal

The structure of this section follows the order in which the details of the Green Deal were shown and discussed in the research:

- A brief introduction
- How the initial assessment and recommendations work
- How the Green Deal is paid for
- The Golden Rule
- Examples of how the Green Deal works with illustrative costs
- The requirement for consent in the private rented sector
- The providers of the Green Deal initiative and standards and accreditation

The same stimulus materials were used with commercial tenants and landlords as with their domestic counterparts with the exception of the packages of measures cited, which were geared towards the energy efficiency improvements relevant for office and retail space. The stimulus can be found in Appendix 3 of this document.

This section concludes by highlighting which commercial tenants and commercial landlords said they would be interested in taking up the Green Deal.

Reactions to the overall idea of the Green Deal

A new initiative

- A new initiative to create warm, more energy efficient and cheaper to run homes and businesses without the owner, landlord or tenants paying any upfront costs.
- So improvements to make your property easier to heat and cheaper to run, such as loft and wall insulation, can be carried out without any upfront costs.



Internal outer wall insulation

External outer wall insulation

1

The idea of an energy efficient and cheaper to run business with no upfront costs was appealing to both commercial tenants and landlords. The initial appeal was founded on the assumption that improved energy efficiency would be accompanied by a cost saving. Gaining a financial benefit was stated as a key reason for undertaking energy efficient improvements by all tenants and landlords in the commercial sector. Some tenants and landlords claimed it was their only driver for interest in energy efficiency, both in terms of work they had done to their properties in the past and work they would consider doing in the future.

The lack of capital could be an issue for businesses, especially in the current economic climate. None of the businesses in the research stated that they had been interested in investing in major energy efficiency improvements and had been prevented from implementing them by the lack of funds. Nevertheless, they welcomed the notion of no capital outlay for implementing energy efficiency improvements.

Within the commercial sector energy efficiency also had a stronger environmental association, primarily at the larger end of SMEs. The larger SMEs who participated in this research were more likely to be thinking about their carbon footprint and corporate social responsibility, and undertaking work in both areas. The fact that the Green Deal is a government backed scheme involving major players led some commercial tenants and landlords to expect some form of accreditation for those who take part in the Green Deal, which could add to a business's environmental credentials. However, they also assumed this would be accompanied by a cost saving.

“You could put this as part of your social responsibility. A lot of companies have social responsibilities. They use that to sell items...to be allowed to use their logo on their letter headed paper.” (Commercial landlord, Companies or organisations or individuals with 10+ commercial properties, Glasgow)

A few businesses also welcomed the Green Deal as they recognised that a more energy efficiency property would mean a better and more comfortable environment for their staff and colleagues. This benefit was also expected to be accompanied by a financial saving by some but not all of these businesses.

“The benefits are comfort. You have happier staff and it would improve sick time” (Commercial tenant, SMEs with 10 - 100 employees, Office, Leisure and Retail Property Use, Hertfordshire)

Whilst some participants were motivated by the idea of creating a more comfortable environment, other tenants were unsure whether it would be worth undertaking the work for this reason alone. Their reasoning was that if the property was that uncomfortable then it was probably an older property, and that it might be better in the long run to move to more modern offices.

Some commercial tenants questioned the suitability of the Green Deal improvements for certain commercial properties, in particular factory, warehouses and more industrial buildings, as the examples cited in the stimulus did not seem relevant for these types of properties. For example, they were unsure how insulation, which they believed to be the most beneficial energy efficiency improvement, could be undertaken in such properties.

“You see it all depends on what type of unit you’ve got as well, she’s (referring to another respondent) got corrugated steel walls, you can’t have cavity wall insulation can you unless they build a complete new frame inside it and fill it like that.” (Commercial tenant, SME with 10-100 employees, Warehouse and Factory Property Use, Sheffield)

“You could put a lower roof in, in the office but we’ve got the shutter doors that go up and down all the time, what’s the point in insulating the walls when you’ve got a massive door.” (Commercial tenant, SME with 10-100 employees, Warehouse and Factory Property Use, Sheffield)

As a result these businesses felt they might not pay much attention to the Green Deal as they would not expect it to be relevant to them.

Some commercial tenants and landlords were also unsure how the Green Deal would work for commercial properties that housed multiple businesses, especially if they were using the premises quite differently or were each in a single open space. Some questioned how much could be done in terms of energy efficiency beyond simple low cost improvements and lighting.

Reactions to the initial assessment and how the recommendations work

What’s involved

- You request an objective energy efficiency assessment to be carried out *in home /onsite* by an accredited assessor. The assessment will make recommendations on potential energy improvements, tailored to your property.
- There will also be general advice on how you can **use** energy more efficiently, to reduce any unnecessary wastage
- The assessment will outline the cost of making the recommended improvements together with the expected energy savings based on a standard usage for a similar property.

2

An objective assessment carried out by an accredited assessor was widely seen as an appealing feature of the initiative. Both commercial landlords and commercial tenants recognised the potential benefits of signing up to have an objective assessment, particularly those tenants who were responsible for making improvements themselves. These potential benefits included gaining impartial and no obligation advice and guidance on how to make their business more energy efficient and thus more cost efficient.

The stimulus mentioned a £250 fee for the assessment (within ‘a commercial example of how it works’ stimulus in Appendix 3). Viewed as a business cost, £250 was considered an acceptable fee for the service. Some felt that it would probably identify certain quick win improvements and measures that they could readily implement, but that they had not yet considered or undertaken. They expected that the no obligation assessment would also

provide businesses with the option to consider the recommendations and implement them in part or immediately, outside of the Green Deal financial mechanism.

“For the assessment, if it’s a large organisation with a large property, £250 is not a bad investment to turn round and say thank you very much but thanks for the ideas. And we’ll do it ourselves.” (Commercial tenant, SME with 10-100 employees, Warehouse and Factory Property Use, Sheffield)

It is worth noting that although the assessment could be seen as a strong driver to participation, currently few had requested an energy efficiency assessment, despite high awareness of their availability. Some businesses also questioned whether they would ever get round to requesting an assessment, given that energy efficiency was not always a high priority when compared with all the other considerations of running a small business.

The freedom to choose who undertook the recommended improvements was welcomed by the commercial tenants and commercial landlords. Should they want to implement the recommendations they welcomed the ability to seek out a more competitive or preferred supplier, such as one they had previously worked with.

The notion of accredited suppliers was motivating to commercial tenants and commercial landlord, but not as motivating as it was for participants from the domestic sector. Commercial tenants and landlords often had preferred property and building contractors or had known building and maintenance contacts who they were happy to use. This was particularly the case amongst larger businesses (tenants and landlords) who assumed that their preferred supplier would either be an accredited supplier or would be sufficiently competent to undertake the work even if they were not accredited.

Reactions to the Golden Rule and the financial mechanism

How is it paid for?

- The cost of the improvements to the property will be spread over an agreed number of years and added to the energy bill for the property.
- Whoever pays the energy bill (gas/electricity) will pay for the cost of the improvements.
- Only accredited companies can have the cost of the improvement added to the property energy bill.
- The cost stays with the property until the end of the agreed payment period, even when you move.
- So after you move the cost will pass onto whoever pays the energy bill.



The Golden Rule

- The expected savings on the property's energy bill should always be greater than or equal to the cost of making the improvements.
- The actual amount you save over the lifetime of the improvement will depend on the actual amount of energy you use and future fuel costs. Savings can not be guaranteed



5

A commercial example of how it works

Property improvement recommended	Costs	Expected fuel savings based on standard usage for a similar property	Cost per year added to the energy bill for the property	The payment term
Small retail shop 400m ² • Upgrade boiler from G to A rating. • Upgrade fluorescent lighting and add new lighting controls	£7,300 (Includes £250 for the assessment)	£980 per year or £81.67 per month	£980 per year or £81.67 per month	10 years
A small office 400m ² • Upgrade boiler from G to A rating. • Add thermostatic radiator valves • Roof insulation • Upgrade fluorescent lighting and add new lighting controls	£18,900 (Includes £250 for the assessment)	£2,300 per year or £191.66 per month	£2,300 per year or £191.66 per month	11 years
2000m ² office floor space • New controls (Building energy Management System) • Lighting upgrade • Roof insulation • Cavity wall insulation	£30,000 (Includes £500 for the assessment)	£9,000 per year or £750 per month	£9,000 per year or £750 per month	4 years

For many commercial tenants and all the commercial landlords in the research, the appeal of the Green Deal was based on the assumption that energy efficiency would be accompanied by a financial saving. When they saw the examples used in the stimulus (see Appendix 3, and above) that illustrated a cost neutral position over a 10 year or longer pay back period, they no longer found the initiative motivating.

“We would definitely not do this. We are struggling as a training provider any way and want to keep costs down. If costs in any way went up during the instalment then we would go under.” (Commercial tenant, SME’s With Less than 10 Employees, Office and Retail Property Use, London)

Without a cost saving or other financial benefit, combined with the lack of guarantee that the total energy bill would be at least cost neutral, they felt it made little commercial sense to participate in the Green Deal. Even those who talked about the environmental angle or a better workplace largely became less interested in the initiative once they had seen the example packages.

“I don’t like the last statement, saving cannot be guaranteed. It puts you off straight away doesn’t it? I was actually going great guns until I got to the fourth page.” (Commercial tenant, SME’s with 101-250 employees, office and retail property use, Glasgow)

While some commercial landlords and commercial tenants had made energy efficiency improvements to save costs, the actual cost savings had never been assessed or calculated. These tenants and landlords simply assumed the improvements they had implemented provided a good return on their investment and made commercial sense, especially if they were undertaken alongside other improvements to the property.

In addition, many SME businesses (tenants) and commercial landlords considered 10 years to be too long to wait before they reaped a financial benefit. When they thought of other potential investments they might make, they would be looking for a quicker return on their investment.

“I think that’s very bad because when you do the assessment, they should tell you then whether there’s any savings or not. There’s no point in carrying out all these thousands of pounds worth of work and I’m going to pay for it over 10 years and there’s no improvement.” (Commercial landlord, Companies or organisations or individuals with 10+ commercial properties, Sheffield)

As in the domestic market, commercial tenants and landlords did not understand immediately the implications of calculations based on standard usage for a similar property. Many did not recognise readily which types of properties or businesses would most benefit from the energy efficiency improvements or under what circumstances a cost saving on the total energy bill would be made. Only a few realised that a rise in energy prices would make a cost saving more likely.

The ongoing payment on the energy bill

The ongoing payment on the energy bill was not as widespread an issue in the commercial private rented sector as it was in the domestic private rented sector, reflecting the varied responsibilities of tenants and landlord according to the terms of the lease.

The ongoing payment on the energy bill was less of a concern for tenants with long leases and who had full or major responsibility for funding improvements. The long standing nature of the payment and its impact on future tenants were also less of an issue.

However, many SME tenants and some commercial landlords voiced similar concerns to those raised by tenants and landlords in the domestic market. The businesses that were most likely to be concerned with the ongoing payment typically exhibited all of the following characteristics: (i) smaller; on short or shorter term leases, (ii) whose landlord funded all property

improvements or (iii) paid the energy bill. Although concerns were raised, commercial tenants and landlords were more pragmatic and less emotive in their reservations than their counterparts in the domestic sector.

The concerns voiced are covered in their order of importance as potential barriers to the Green Deal, based on a combination of how many tenants and landlords raised the concern and the strength of their concerns. The issues were:

- It challenged the existing market dynamics of who funds improvements to the rented property
- Short term outlook of tenants
- The fixed payment is seen as a debt
- Making a decision on behalf of future tenants and potential owners
- It challenged the existing market dynamics of who has responsibility for decision making for improvements to the rented property

It challenged the existing market dynamics of who funds improvements to the rented property

For commercial tenants who paid the energy bill and whose landlords paid for all repairs, maintenance and improvements, holding the tenant financially responsible for the improvements made under the Green Deal was not felt to be appropriate. Without a cost saving they felt no motivation to pay for work that did not financially benefit them.

Short term outlook of tenants

Commercial tenants on short leases, typically also had a short term outlook on their business. They could not see the rationale for undertaking costly or long term improvements and, in the case of the Green Deal packages shown in this research, work that was cost neutral over a 10 year or longer payback period. Commercial landlords who had properties that were rented on short leases echoed what tenants said.

"We've got 80 tenants, I would say at least 60% are probably on one year leases. It wouldn't be relevant to them." (Commercial landlord, Companies or organisations or individuals with 1-5 commercial properties, Birmingham)

"In this current economic climate I don't think anybody wants to hear about lifetime commitments." (Commercial landlord, Companies or organisations or individuals with 1-5 commercial properties, Birmingham)

"In four years time I don't know whether it's going to be in business or moved on to a bigger premises or what will happen." (Commercial tenant, SME with 10-100 employees, warehouse and factory property use, Sheffield)

The ongoing payment is seen as a debt

Many commercial tenants and some commercial landlords viewed the charge as a debt. In the current economic climate, these commercial tenants in particular disliked the thought of incurring a debt that was not material to the success of their business. Energy efficiency was not viewed as a factor in business success, even amongst those for whom energy was a significant direct cost. The few commercial landlords in the research who offered short term leases also perceived the fixed payment as a debt. They felt it would be difficult to justify to future tenants and owners should they sell the property.

“If I was representing the buyer [of the commercial property], I would be looking for a discount due to future liability for this debt.” (Commercial landlord, Companies or organisations or individuals with 1 -5 commercial properties, Cardiff)

Making a decision on behalf of future tenants

Some tenants on short leases were also reticent about what they regarded as making a decision on behalf of future tenants. This reticence was driven by two issues. Firstly, they considered how they would personally feel if they were a new tenant facing the fixed payment on the energy bill with the property. Secondly, they considered how the landlord would feel about justifying the fixed payment to future tenants. On balance, many felt that this would deter them from taking up the Green Deal.

However, a few commercial tenants felt they could justify the fixed payment for future tenants as they expected the future tenants to welcome a cheaper to run and more energy efficient property, even if the total energy bill remained the same.

A potential complication for the commercial market was that some leases allowed commercial properties to be used differently (including a change of Use Class). Tenants and landlords who recognised this, questioned the suitability of any improvements made under the Green Deal for the next tenant's business. Whilst some improvements were expected to have broad relevance, not all the potential improvements were expected to be suitable to all prospective tenants. A worse case scenario cited by respondents was that of a new tenant wanting to remove some of the Green Deal improvements to make the property more suitable for their requirements. It was felt that if this were the case, the new tenant would not want to incur the charge on their energy bill, which would restrict the type of prospective businesses that would be interested in renting the property.

“Well a lot of businesses rely on lighting that's bespoke to them, if we've got lighting over sewing machine areas then it has to be a natural light. Are they going to let you choose so it's relevant for your business because her garage wouldn't want those lights to be there?” (Commercial tenant, SME with 10-100 employees, warehouse and factory property use, Sheffield)

It challenged the existing market dynamics of who has responsibility for decision making for improvements to the rented property

Although this issue was mentioned by a few tenants in smaller businesses, this was less of an issue for commercial tenants than domestic tenants. Commercial tenants had a more businesslike and less sensitive view of the relationship with their landlords. If the tenant were sufficiently motivated to ask for the improvements, they were matter of fact about the prospect

of asking their landlord. The commercial tenants who were reticent about asking the landlord were concerned about the inconvenience of having to do so and a perception that the landlord would say no.

Consent from both parties

The commercial market's response to the principle of consent was consistent with the domestic market, where the market dynamics were the same i.e. short term leases where the landlord paid for improvements and the tenant paid the energy bill. Under these circumstances commercial tenants felt they would have no option but to give consent to their landlord.

Commercial landlords found it difficult to imagine any of their short term tenants would want to undertake the improvements covered by the Green Deal. However, should they be asked for consent they claimed they would make what they considered to be a commercial decision based: (i) on what improvements were being requested, (ii) length of time the tenant was planning to stay in the property, (iii) the perceived suitability of the improvements for future tenants, (iv) their likelihood of selling the property. If they concluded the recommended Green Deal improvements would not greatly decrease their ability to attract future tenants they would provide consent.

Where the leases were longer and the tenant had responsibility for improvements to the property, consent from the landlords was considered less of an issue. Tenants expected the landlord to provide it and landlords felt they probably would consent.

None of the landlords in the research who had longer lease properties where improvements were undertaken by the tenant or even themselves, felt they would take up the initiative, therefore they would not be asking for consent.

Consent was considered a potential barrier in multi-tenanted buildings. Commercial tenants and commercial landlord assumed that greatest energy efficiency would come from major improvements involving the entire building which would need the consent of all involved. It was not expected that every tenant would prioritise this expense in the current economic climate.

“A lot of the tenants in the shared office spaces are one man bands. If all 24 tenants don't agree they're not going to just leave out the offices that didn't agree.” (Commercial landlord, Companies or organisations or individuals with 10+ commercial properties, Glasgow)

Response to other elements of the Green Deal

This section covers the elements of the Green Deal below:

- The potential providers of the Green Deal initiative and government backing
- Standards and accreditation
- Costs in the cited examples
- Link with the EPC
- Interest rate

The potential providers of the Green Deal initiative and government backing

Commercial tenants and landlords welcomed the high profile nature of the potential providers and the government backing. They reasoned that if the scheme's intention was to encourage take-up of major energy efficiency improvements in the commercial sector it would need the support of major organisations and the government. Commercial tenants and landlords were quick to understand the rationale for the range of organisations, and that some might undertake the assessment, some the implementation of the work and some the financing.

However, some commercial tenants and landlords also expected and hoped that smaller building contractors and suppliers would be part of the scheme. They saw the benefit of this to be threefold, (i) that it would add further competition, (ii) smaller companies might be cheaper, (iii) it might include smaller companies that they already worked with.

A few commercial tenants and commercial landlords expressed a little wariness that if the only providers of the Green Deal were large organisations it would push up the prices of the improvements.

“I think the thing about those is that they are all massive profit making companies, they’re not charities, they make big, big profits so presumably that’s why they’re doing it”.
(Commercial tenant, SME with 10-100 employees, warehouse and factory property use, Sheffield)

Standards and accreditation

Accreditation, although welcomed, was seen to be slightly more of a standard expectation amongst commercial tenants and landlords than it was amongst domestic tenants and landlords because the commercial environment itself was seen as a slightly more formal and regulated.

“First statement is a given. I wouldn’t even entertain anybody even if I’ve got with a scheme that’s not accredited” (Commercial tenant, SME with 10-100 employees, Warehouse and Factory Property Use, Sheffield)

The only low level issue a minority of commercial tenants and landlords had was whether they could continue to work with their regular suppliers or would they be forced to find a new one. In this instance they wanted reassurance that accreditation would be available for any quality supplier not only the big, established organisations.

Costs in the cited examples

Some businesses felt that the costs cited in the stimulus seemed a little high, which led them to believe some of the smaller suppliers might indeed be cheaper. There was not the same level of negativity that was found amongst some domestic landlords due to less emotional reaction to what is a business cost.

“You’re going to sign up to a new boiler it’s going to be British Gas that’s going to fit it at their current rate which is going to eat into your £15,000 investment and I know that I could get Frank from down the road who’s got a Gas Safety Certificate to fit it for maybe £1,000 cheaper.” (Commercial tenant, SME with 10-100 employees, warehouse and factory property use, Sheffield)

Link with the EPC

Response to the information about the Green Deal being documented on the EPC made sense to the commercial tenants and landlords. Mirroring the domestic sector, they also felt it was an obvious means of informing new tenants (or prospective purchasers) of the energy efficiency improvements that had been undertaken through the Green Deal and details of the outstanding fixed payment attached to the property.

Interest rate

Commercial tenants and commercial landlords accepted and expected that the cost of the improvements which were spread over the payback period would incur interest. When they asked what the rate of interest was, the 7% nominal and 5% real interest rate which had been used to calculate the examples shown in the stimulus was cited and deemed acceptable for businesses. Indeed, some commercial landlords and commercial tenants felt that the low cost of the funding would be an attractive element of the Green Deal if they did have another reason to take it out in the first place. However, low cost funding alone was not considered a sufficient trigger or driver to undertake energy efficiency improvements.

The commercial tenants and landlords who were most interested in taking up the Green Deal

There were only a few commercial tenants who stated they were interested in the Green Deal as described in the research. They were tenants who expressed an interest in having a better environment for staff or businesses. These tenants were the small minority who imagined the Green Deal might make their work place more comfortable which could serve as a motivator to take it out.

“The building itself is just very, very cold in parts and that isn’t good for people. The company benefits if people are warmer as people start taking less time off sick and with colds” (Commercial tenant, SMEs with fewer than 10 employees, Office and retail, London)

A couple of commercial tenants perceived that taking out the Green Deal might make their business look good in terms of CSR if there was the potential to gain a ‘Green Deal’ kite mark or accreditation of some form. However this was not seen as a significant driver on its own by any.

One of the small number of commercial landlords in the research expressed some interest in the Green Deal. They felt that it would help them implement a broader range of improvements to their portfolio properties, if some of the energy efficiency improvements could be funded by the Green Deal without any capital expenditure.

Chapter 4. Engaging the private rented sector

This section is in two parts, firstly, a discussion about making the Green Deal more attractive to the private rented sector, and secondly, the appropriate channels or intermediaries for the Green Deal to reach tenants and landlords is considered.

The section combines both domestic and commercial perspectives because the results were consistent across the sectors.

Making the Green Deal more attractive to the private rented sector

Focusing on the properties that would most benefit from the Green Deal

Many landlords and tenants across both the domestic and commercial sectors could not identify readily which types of properties were most likely to benefit from the Green Deal in terms of a total saving on the energy bill. Highlighting the types of properties and how to recognise which properties are most likely to make a saving could help tenants and landlords overcome the tendency to focus on the possibility that they might not make a saving on the total energy bill.

Focusing on the scenarios where a cost saving is most likely to be made

Domestic and commercial tenant and landlords were also unclear under what circumstances a financial saving would be made, if they were to undertake the Green Deal.

Some domestic and commercial tenants and landlords failed to identify that a financial saving would be more likely if energy prices rose. Indeed, a few domestic tenants and landlords thought the opposite was true. Highlighting how higher energy prices would positively impact on the financial savings might encourage tenants and landlords to understand that the Green Deal would help them future proof against rising energy prices.

Providing examples of what typical usage is for various types of properties would help tenants and landlords assess better whether they are likely to make a financial saving on their total energy bill. Explaining that if usage is higher than the standard usage for a similar property then savings are more likely also seems necessary, as some tenants and landlords did not appear to understand this.

Many tenants and landlords, in particular in the domestic sector claimed they did not understand their energy bill and the units used. Therefore, examples are likely to be more meaningful if they are based on energy spend rather than kilowatt hours.

A logical conclusion from the research is that if landlords can be helped to make a compelling case to their future tenants who pay the energy bill that, despite the fixed payment on the property they will be saving money on their total energy bill compared to a similar property, landlords might be more receptive to the Green Deal.

Clear targeting at the domestic private rented sector

Some domestic tenants felt that the Green Deal would need to be directly targeted at them, if they are to pay attention to any communication about the initiative. Some said they would automatically assume that the Green Deal was targeted at landlords. Some tenants had also experienced being contacted by energy suppliers about energy efficiency, but when they had mentioned that they were tenants the energy supplier was no longer interested in continuing the discussions. Consequently the tenants claimed that unless any marketing and communicating explicitly referenced domestic tenants, they might ignore it assuming it was aimed at owner occupiers or landlords.

“If anyone comes around with leaflets offering cavity or loft insulation grants then I just say ‘it’s rented, it’s no good talking to me and I just send on the leaflets to the landlord”
(Domestic tenant, 56+ with and without other adults/ children in household, Low/ average income, Cardiff)

Timing of any communication

Some tenants and landlords claimed they might pay more attention to the Green Deal if they were made to consider it at the start of a tenancy or during major refurbishment work.

“They should directly target communications at tenants before they move in because once they’re in there they get comfortable and can’t be bothered.” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

Alternative positioning of the benefits of the Green Deal

In one of the later sessions of the research a domestic tenant suggested that it might be better to focus on the sentiment of obtaining an energy efficiency boiler and insulation at no extra cost. They felt this positioning of the Green Deal avoided creating the impression of a cost saving, but still communicated a benefit. Given the general level of appeal of the concept of ‘no up-front cost’ across the private rented sector, positioning the Green Deal as offering an alternative benefit to a financial saving at no up front cost, could well prove more motivating to domestic and commercial tenants and landlords and would be worth researching further.

“Why don’t they just say that we’ll upgrade your boiler to a more energy efficient one and it won’t cost or you won’t save any money? It’s not actually costing us anything which is a better way to look at it but because they’re putting down the saving and it’s so small stretched out of years. The way they’re telling us about it isn’t appealing. They should just say they’re upgrading your place and it won’t cost you any money” (Domestic tenant, 35-55 couples with and without children, in a single accommodation, flat or house, Low income, Glasgow)

A similar approach might also be worth assessing for those who were interested in a better working environment for staff.

Highlighting the environmental benefit

Although many of the tenants and landlords in this research felt the benefit to the environment alone was insufficient motivation to take up the Green Deal personally, they believed it could be a potential supporting message for those more engaged with environmental issues to encourage interest in the Green Deal.

Some larger businesses were interested in an accreditation scheme for companies who took up the Green Deal to demonstrate their green credentials. The fact that the scheme was government backed made them feel that the accreditation would carry weight amongst interested parties, such as prospective customers.

“Can you show that your company has a kite-mark if you sign up for the Green Deal? That would be good”. (Commercial landlord, Companies or organisations or individuals with 10+ commercial properties, Glasgow)

Sharing costs between tenant and landlord

As previously referenced some domestic tenants spontaneously suggested that they would be more inclined to consider the Green Deal if the cost of the improvements were shared with the landlord. Not only would it be fairer in their opinion, but the tenant would then be more assured of making a financial saving on their total energy bill. Although this fundamentally changes the financial mechanism, it illustrates how tenants felt about paying for improvements that normally would be the financial responsibility of the landlord.

“If I was living in a property for a long time and I wanted to do some improvements, it would be better if you could share the costs with the landlord”. (Domestic tenant, 56+ with and without other adults/ children in household, High/average income, Sheffield)

Offering incentives

Some domestic tenants also spontaneously suggested incentives to encourage them to take up the Green Deal. The suggestions included Nectar points; vouchers such as from Marks and Spencer; fixed price energy or even a cheaper energy tariff. How compelling such incentives would be and whether they would encourage a take up of the free assessment and/or the recommended improvements would need to be assessed further.

A discount off the council tax with the property was also spontaneously suggested as an incentive by both domestic tenants and domestic landlords and was greeted positively by others in the group discussions where it was mentioned. The appeal of this incentive was that it related to the property and would be expected to be a significant amount. Similarly, a few commercial tenants mentioned that a reduction in their business rates would make the Green Deal more attractive for them.

“If I’m being inconvenienced, if I’m you know going through all this catastrophe I think a little bit of something to make me feel better about my decision. It doesn’t really matter, I think it’s a psychological thing. I think if it’s a tenner off your council tax or 500 Nectar Points or Homebase vouchers or whatever it is”. (Domestic tenant, under 35 in shared accommodation or living alone in a flat, Low/average income, London)

Some domestic landlords also suggested a tax related incentive, such as permitting landlords to pay for some of the improvements upfront and allowing them to reduce their tax liability. Other similar spontaneous suggestions included the option to receive an interest free loan as part of the Green Deal or to obtain a grant to contribute to the cost of the improvements under the Green Deal.

A few domestic and commercial landlords as well as a few commercial tenants came to the conclusion that if the government were serious about persuading them to make their properties more energy efficient that a property tax based on a property's energy efficiency rating would need to be introduced. They felt that a tax liability would provide the financial motivation to take

up the Green Deal that was currently absent. With the EPC already in place, they concluded that such a tax was likely to be introduced if the Green Deal was not successful.

If energy efficiency gains momentum

Domestic and commercial landlords claimed that if tenants were to become more energy or environmentally conscious and the energy efficiency of a property became a key part of tenants' decision-making (e.g. tenants started asking about energy efficiency or asking to see the EPC) then they would need to reassess the priority given to energy efficiency improvements. Under these circumstances they would look with more interest at the Green Deal.

Domestic landlords also claimed that, should the Green Deal gain momentum and they were aware that many rented properties had taken up the initiative; it would encourage them to reassess the scheme, as they would not feel disadvantaged in attracting future tenants.

Although the notion of momentum was frequently mentioned, when asked about what would encourage them to take up the Green Deal, tenants and landlords could not envisage how this momentum might be achieved, without some type of 'enforcement' for example an opt out rather than opt in clause.

"It should be opt out rather than opt in. If it was handed to you on a plate you might think about doing it, but you wouldn't get off your bum. So maybe they could have call centres ringing you up, telling you about it and booking your free assessment in and you have to cancel it if you don't want it." (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

The appropriate channels or intermediaries for the Green Deal to reach tenants and landlords

Expectations for a high profile campaign to support Green Deal

Due to the potential involvement of major organisations and the government backing, tenants and landlords across both the domestic and commercial sectors anticipated that the Green Deal would be high profile. They expected the organisations involved including the local authorities and government to promote the Green Deal heavily.

"They could promote it with your electricity bill, in with the bill or on the bill". (Commercial tenant, SME with 10-100 employees, warehouse and factory property use, Sheffield)

Tenants and landlords across both domestic and commercial sectors also reasoned that as energy efficiency was, in their opinion, still not a high priority for many tenants and landlords, that a high profile campaign would be necessary to attract attention.

Tenants and landlords anticipated that they would hear about the Green Deal on TV, on billboards and through the press. They also expected to be sent direct mail from the various providers of the Green Deal. They imagined that the energy companies would send leaflets with energy bills or send marketing literature separately. Based on their experiences they could imagine that the energy suppliers would undertake telemarketing to promote the Green Deal.

“You’d need it to be on ads on telly because a flyer through the door on this will get ignored. There are already websites on this but few people go on them- it really needs to be pushed.” (Domestic tenant, Under 35 in shared accommodation or living alone in a flat, Low/average income, London)

Based on the fact that that domestic and commercial tenants typically only passed on communication that looked official and/ or was addressed to their landlord in person, using direct mail as a channel to reach landlords via tenants does not seem appropriate.

Tenants and landlords envisaged that the retailers potentially involved in the Green Deal would also promote the scheme in their stores.

“You could walk into Homebase and see some Green Deal leaflets in a stand”. (Domestic tenant, 56+ with and without other adults/ children in household, High/average income, Sheffield)

Commercial tenants and landlords as well as domestic landlords expected smaller accredited building and maintenance contractors to mention it to them the next time the contractor was undertaking work for the tenant or landlord. Some domestic landlords, in particular where renting was not their primary source of income, felt that they would be more likely to pay attention to this approach. They imagined they would obtain a more honest appraisal of the initiative and its benefit to them, and one that was less sales driven than they would anticipate from the larger commercial organisations involved in the scheme.

Other channels and intermediaries

Tenants and landlords also identified other channels they imagined would be used as well as other intermediaries who might inform them about the Green Deal. These channels and intermediaries varied by audience and were as follows:

- A few domestic tenants thought that the letting agent might mention the scheme to tenants, and possibly to landlords too.
- Commercial tenants and the more commercially minded domestic and commercial landlords felt that the scheme could be promoted in trade and industry publications.
- Domestic and commercial landlords felt it might be promoted or that they might obtain impartial information about the Green Deal through one of the landlord associations. A few of the landlords in the research claimed that they visited web sites of these organisations for information and guidance.

Appendices

Appendix 1. Detailed recruitment sample

Figure 1: Sample of domestic tenants

Group	Description	Income	Location
1	Under 35 in shared accommodation or living alone in a flat	Low/Average	London
2	Under 35 couple or family living in a single accommodation, flat or house	Average	Birmingham
3	35 – 55 couples with and without children, in a single accommodation, flat or house	High/Average	London
4	35 – 55 couples with and without children, flat or house	Low	Glasgow
5	56+ with and without other adults/ children in household	Low/Average	Cardiff
6	56+ with and without other adults/ children in household	High/Average	Sheffield

Figure 2: Sample of commercial tenants

Group	Description	Property	Location
1	SMEs with less than 10 employees	Office and Retail Property Use	London
2	SME's with 10 - 100 Employees	Warehouse and Factory Property Use	Sheffield
3	SME's with 10 - 100 employees	Office, Leisure and Retail Property Use	Hertfordshire
4	SME's with 101 - 250 Employees	Office and Retail Property Use	Glasgow

Figure 3: Sample of domestic landlords

Group/depth	Description	Location
Group 1	Individuals with one rented property Not primary source of income	London
Group 2	Individuals with 2 – 10 rented properties Not primary source of income	Birmingham
Depth 1	Individuals with 10+ rented properties Not primary source of income	Manchester
Depth 2	Company or organisation with 10 - 25 properties Not primary source of income	Sheffield
Depth 3	Company or organisation with 10 - 25 properties Not primary source of income	London
Depth 4	Company or organisation with 10 - 25 properties Not primary source of income	Edinburgh
Depth 5	Company or organisation with fewer than 25 properties Not primary source of income	Manchester
Depth 6	Company or organisation with more than 25 properties Primary source of income	Sheffield
Depth 7	Company or organisation with more than 25 properties Primary source of income	Birmingham
Depth 8	Company or organisation with more than 25 properties Primary source of income	Cardiff

Figure 4: Sample commercial landlords

Group/ depth	Description	Location
Depth 1	Companies or organisations or individuals with 1 – 5 commercial properties	Cardiff
Depth 2	Companies or organisations or individuals with 1 – 5 commercial properties	Birmingham
Depth 3	Companies or organisations or individuals with 1 – 5 commercial properties	London
Depth 4	Companies or organisations or individuals with 6 – 10 commercial properties	London
Depth 5	Companies or organisations or individuals with 6 - 10 commercial properties	London
Depth 6	Companies or organisations or individuals with 6 - 10 commercial properties	Edinburgh
Depth 7	Companies or organisations or individuals with 10+ commercial properties	Glasgow
Depth 8	Companies or organisations or individuals with 10 + commercial properties	Sheffield

Appendix 2. Discussion guides

Discussion Guide: tenants

Warm up (5 – 10 mins)

- Introduction and explanation of the research
 - Relationship and dealings with the landlord
 - Making improvements to rented properties (residential/ business premises as appropriate)
- Desire for frank and honest feedback
- MRS Code of conduct
- Respondent introduction; name, age, living arrangements/nature of business, how long in current property, length of lease, renting history
- Main reason for choosing current property to rent

Selecting a property (home/business premises) and energy efficiency (circa 5 -10 mins)

- Main reasons for selecting the property
- Main criteria when searching for a property
- What did they find out about the property (and other properties they looked at). e.g. rates, council tax, recent improvements, building work etc? (listen out for but do not prompt on EPC)
- IF not mentioned, how much, if at all, did they consider the energy bills or how energy efficient the property was?
 - What if anything did they find out about heating/ lighting/ insulation etc and why?
 - What were they told, what did they ask?

The property, improvements and the landlord (circa 15 mins)

- How much contact do they have with the landlord?
 - And about what, and how e.g. phone, letter, via agent etc
 - Describe the relationship with the landlord
- If they receive mail addressed to the landlord, do they pass it on? Why and why not?
 - Provide examples and reasons where they have
 - What would make them pass anything on?
 - Probe: council, government department, energy supplier etc.
- Who manages the property?
 - What contact and nature of contact do they have?
 - Describe the relationship with the managing agents
- What improvements, if any, they have considered having done to the property?
 - Whose responsibility would it be; what would be the process for undertaking any work e.g. gain permission?
- Thinking about improvements generally that they could make to the property, what types of things would fall under their responsibility and what would fall under the landlords?
 - What would they need permission to do?

- Who would foot the cost? Would they ask for any contribution if they are responsible for the cost and vice versa?
- Would they seek out this permission?
- How would they feel about talking to the landlord/ agents about making any improvements and reasons?
 - How accommodating would they expect their landlord/ agent to be and why? Probe fully
 - What factors would influence their willingness to discuss these with their landlord/ agent e.g. likely cost, ease of making the improvement; long term value of the improvement etc?
- In their renting history, have they ever made or asked the landlord to make any improvements?
 - Probe fully: Why and why not?
 - Ascertain conditions and factors that encourage discussion with the landlord
- If repairs need to be made; what are the arrangements with the landlord/ agent?
 - What is the process; who is involved?
 - What involvement do they have in the repair work e.g. specifying what; like for like or a better 'product'/ repair, timing etc?
- How would they feel, if the improvements were about making the property energy efficient?
 - And had long term benefit to the property?
 - Awareness and understanding of EPCs (Energy Performance Certificates) - show example

Green Deal (circa 75 mins)

Introduce description of Green Deal, and assess and ensure understanding after each board, noting where misunderstanding, confusion exists.

- Initial reactions to:
 - The initiative
 - How it works
 - What it entails
 - Freedom of choice
 - Consent
 - Backing
- What do they think about the initiative and why?
 - Likes and dislikes; pros and cons with reasons
 - Describe the relationship with the landlord
- Level of interest with reasons
- Whose responsibility do they see it to be to make the first step and why?
- What would encourage them to make the first step?
 - Probe fully on push and pull factors i.e. factors related to the scheme and factors related to their circumstances and relationship with the landlord/ agent e.g. length of lease, conditions of lease etc
 - What would help them feel able and confident to mention it to their landlord/ agent?
- What would discourage them from making the first step?

- Probe fully on push and pull factors i.e. factors related to the scheme and factors related to their circumstances and relationship with the landlord/ agent
- How could these be overcome?
- Probe fully for tenants about what would persuade them to mention it to their landlord/ agent e.g. high profile scheme etc
- What parts of the initiative do you imagine you'd feel confident mentioning and which would you not?
 - Probe on active stance versus passive passing on of info
- Imagine that you were confident about mentioning the initiative what factors would need to be in place?
 - Would the initiative need to change in any way and why?
- What would they imagine the process would be, if they did mention it to their landlord/ agent and the landlord did provide their consent?
- What if their landlord mentioned wanting to make improvements under the initiative?
 - Would they consent and why or why not?

What factors are influencing their thinking?

Probe fully: e.g. cost; likely inconvenience; to maintain good relationships etc

- How would tenants expect to hear about the initiative and why?

What would be the best way to get their attention and interest and why?

- In future communications what is the most compelling part of the offer and should be brought to the forefront and what should be downplayed?

Impact of the initiative on the PRS (circa 10 mins)

- Thinking about moving to their next property, would a property that had work carried out under the initiative be more or less appealing and why?
 - Would it become a selection criterion and why or why not?
- What impact, if any, would they expect it to have on rents?
 - Probe fully
- What impact could they see it having on the market as a whole?

Discussion Guide: landlords (timings based on 1 hour depths)

Warm up (circa 5 mins)

- Introduction and explanation of the research
 - Understanding the procedure for property improvements
 - Looking at a new initiative to help fund property improvements
- Desire for frank and honest feedback
- MRS Code of conduct
- Respondent introduction; name, age, nature of business, how many properties; role in their income/ business
- If not primary, main reason for renting out property

Leasing a property (residential/business premises) and energy efficiency (circa 5 mins)

- Briefly, what is it about their property/ properties that make them attractive to rent
 - Note any mention of energy efficiency or related factor
- What are the typical questions they get asked about their property? (Do not prompt specifics but listen for EPC and any energy efficiency related factor)
- How much, if at all, do they get asked about the energy bills or how energy efficient the property is?
 - What, if anything, do they get asked about heating/ lighting/ insulation etc. and why do they think this is?
 - What do they tell tenants (if anything)?
- Awareness and understanding of EPCs (Energy Performance Certificates) - Show example
- What role does energy efficiency have in their bit of the rental market, and reasons why?
 - What are their own personal thoughts about having and making rental properties (business and residential) energy efficient?

The property, improvements and the tenants (circa 10 mins)

In brief:

- How much contact do they have with the tenant; and does it differ by property, if so, how?
 - What is it about, and by what method e.g. phone, letter, via agent etc
 - Describe the relationship with their tenants
- Do they get passed on mail addressed to them as the landlord, if so what?
 - Provide examples and reasons where they have
 - Probe: council, government department, energy supplier etc.
- Who manages the property?
 - What contact and nature of contact do they have?
 - Describe the relationship with the managing agents

More fully:

- Describe in detail the process for making any improvement to their property
 - What improvements, if any, do they consider?
 - What impacts upon what they consider?

- When do they consider improvements; what are the prompts and when would they consider them and undertake them?
- What improvements are lead by the tenant, if any, and what influences their permission e.g. shared cost
- how frequent is this?
- Provide specific examples and understand fully conditions and factors
- What is the refurbishment cycle, if any? Probe fully
 - How frequent, what measures, pattern across portfolio etc?
 - What influences the refurbishment period e.g. size of portfolio, rates of return, sublets, common parts
 - Would they make any improvements during a tenancy, why and why not?
 - If yes, what would they consider/not consider and why?
 - How accommodating would they expect their tenant to be and why? Probe fully
 - What factors influence their refurbishment/ improvement plans e.g. cost, ease of making the improvement; long term value of the improvement etc?
- If repairs need to be made; what are the arrangements with the tenants?
 - What is the process; who is involved?
 - What involvement do their tenants have in the repair work e.g. specifying what; like for like or a better 'product'/ repair, timing etc
- How do they feel, about making their property/ properties more energy efficient?
 - Is there long term benefit to the property?
 - Have they ever applied for a grant to make their properties more energy efficient?
 - Have they ever undertaken work with energy efficiency in mind, was it the primary or a secondary motivation or a by-product?
 - What role has government, regulations including building regulations etc?
 - Probe fully

Green Deal (circa 40 mins)

Introduce description of Green Deal, and assess and ensure understanding after each board, noting where misunderstanding, confusion exists.

- Initial reactions to:
 - The initiative
 - How it works
 - What it entails
 - Freedom of choice
 - Consent
 - Backing
- What do they think about the initiative and why?
 - Likes and dislikes; pros and cons with reasons
- Level of interest with reasons
- Whose responsibility do they see it to be to make the first step and why?
- What would encourage them to make the first step?
 - Probe fully on push and pull factors i.e. factors related to the scheme and factors related to their circumstances and relationship with the tenant e.g. length of lease, conditions of lease, more desirable property, increased rent etc
 - Refurbishment cycle as discussed above
 - Would they ever consider it during a tenancy and why or why not?
- Contrasting between tenancy, refurbishment of property and during tenancy as appropriate to landlord, what would discourage them from making the first step?
 - Probe fully on push and pull factors i.e. factors related to the scheme and factors related to their circumstances e.g. potential void period, inconvenience, they pay the energy bills etc
 - How could these be overcome?
 - Probe fully for what would persuade them to consider it e.g. high profile scheme, requests from tenant etc
- Imagine that you were happy undertaking the initiative, having an assessment and making any recommended improvements, what factors would need to be in place?
 - Would the initiative need to change in any way and why?
 - How could any barriers be circumvented or reduced?
- What would they imagine the process would be, if a tenant made the request?
 - Thoughts and feelings
 - Would they provide their consent and why/ why not?
 - What would be the process?
 - What factors are influencing their thinking?
- How would landlords expect to hear about the initiative and why?
 - What would be the best way to get their attention and interest and why?
 - In future communications what is the most compelling part of the offer and should be brought to the forefront and what should be downplayed?

Impact of the initiative on the PRS (circa 5 mins)

- What impact could they see it having on the market as a whole?

- What do they think will be the stance of other landlords and why?
- What impact do they think it will have on tenants selection criteria, if any?
- What impact do they think it will have on the relationship between tenant and landlord?
- What impact, if any, would they expect it to have on rents?
 - Probe fully

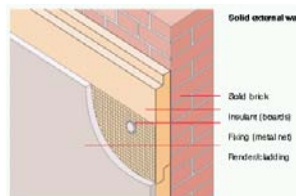
Appendix 3. Example of the Green Deal stimulus used during the research

A new initiative

- A new initiative to create warm, more energy efficient and cheaper to run homes and businesses without the owner, landlord or tenants paying any upfront costs.
- So improvements to make your property easier to heat and cheaper to run, such as loft and wall insulation, can be carried out without any upfront costs.



Internal outer wall insulation



External outer wall insulation

1

What's involved

- You request an objective energy efficiency assessment to be carried out *in home /onsite* by an accredited assessor. The assessment will make recommendations on potential energy improvements, tailored to your property.
- There will also be general advice on how you can **use** energy more efficiently, to reduce any unnecessary wastage
- The assessment will outline the cost of making the recommended improvements together with the expected energy savings based on a standard usage for a similar property.

2

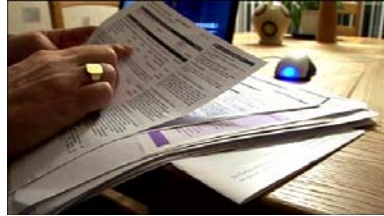
Freedom of choice

- Your energy efficiency assessment is like a prescription and can be taken to any accredited company to undertake the recommended improvements.
- You do not need to use the same company for assessment and for the installation.
- You are under no obligation to undertake any recommended improvements following the assessment.

3

How is it paid for?

- The cost of the improvements to the property will be spread over an agreed number of years and added to the energy bill for the property.
- Whoever pays the energy bill (gas/electricity) will pay for the cost of the improvements.
- Only accredited companies can have the cost of the improvement added to the property energy bill.
- The cost stays with the property until the end of the agreed payment period, even when you move.
- So after you move the cost will pass onto whoever pays the energy bill.



4

The Golden Rule

- The expected savings on the property's energy bill should always be greater than or equal to the cost of making the improvements.
- The actual amount you save over the lifetime of the improvement will depend on the actual amount of energy you use and future fuel costs. Savings can not be guaranteed



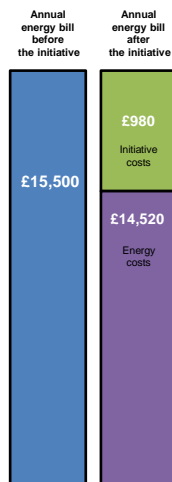
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A commercial example of how it works

Property improvement recommended	Costs	Expected fuel savings based on standard usage for a similar property	Cost per year added to the energy bill for the property	The payment term
Small retail shop 400m ² • Upgrade boiler from G to A rating. • Upgrade fluorescent lighting and add new lighting controls	£7,300 (Includes £250 for the assessment)	£980 per year or £81.67 per month	£980 per year or £81.67 per month	10 years
A small office 400m ² • Upgrade boiler from G to A rating. • Add thermostatic radiator valves • Roof insulation • Upgrade fluorescent lighting and add new lighting controls	£18,900 (Includes £250 for the assessment)	£2,300 per year or £191.66 per month	£2,300 per year or £191.66 per month	11 years
2000m ² office floor space • New controls (Building energy Management System) • Lighting upgrade • Roof insulation • Cavity wall insulation	£30,000 (Includes £500 for the assessment)	£9,000 per year or £750 per month	£9,000 per year or £750 per month	4 years

6

Small retail shop 400m²



A small retail shop 400m²

Recommended improvements

- Upgrade boiler from G to A rating.
- Upgrade fluorescent lighting and add new lighting controls



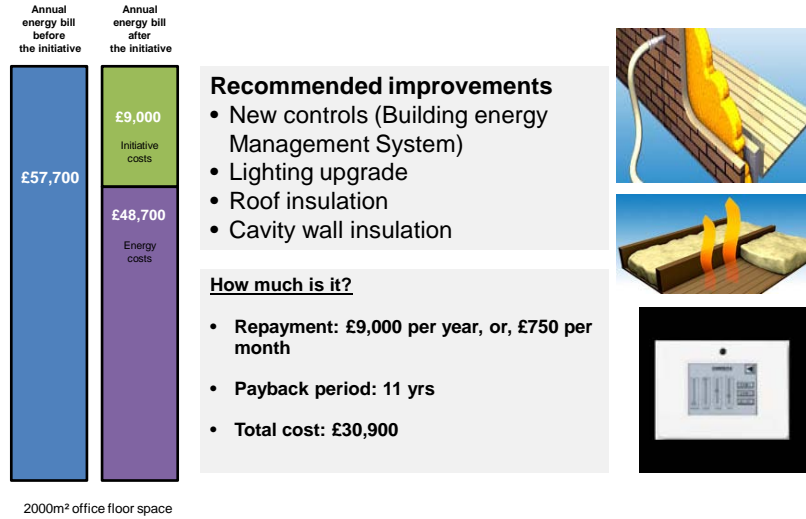
How much is it?

- **Repayment: £980 per year, or, £81.67 per month**
- **Payback period: 10 yrs**
- **Total cost: £7,300**



1

2000m² office floor space



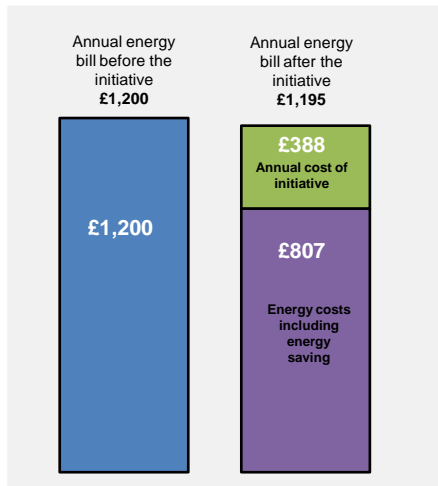
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An example of how it works

Home improvement recommended	Cost of the improvement	Expected fuel savings based on standard usage for a similar property	Cost per year added to the energy bill for the property	Expected overall cost saving	The payment term
Cavity Wall insulation with loft top up	£1,900	£170 per year, or, £15 per month	£160 per year, or, £13 per month	£10 per year, or, £1 per month	20 years
External solid Wall insulation (as part of major refurbishment)	£7,600	£393 per year, or, £33 per month	£388 per year, or, £32 per month	£5 per year	30 years
Internal solid wall insulation	£7,000	£390 per year, or, £33 per month	£360 per year, or, £30 per month	£30 per year, or, £3 per month	30 years
Boiler upgrade from G to A rated, plus easy to treat cavity wall insulation	£ 2,880	£370 per year, or, £31 per month	£340 per year, or, £28 per month	£30 per year, or, £3 per month	10 years

6

External solid wall insulation (as part of major refurbishment)

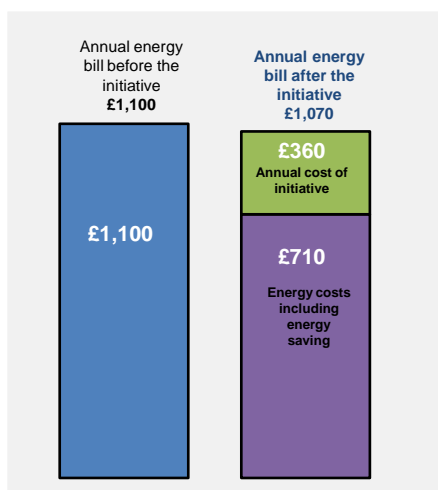


How much is it?

- Repayment: £388 per year, or, £32 per month
- Payback period: 30 yrs
- Total cost: £7,600
- Total saving: £5 per year

7

Internal solid wall insulation



How much is it?

- Repayment: £360 per year, or, £30 per month
- Payback period: 30 yrs
- Total cost: £7,000
- Total saving: £30 per year, or £3 per month

10

The private rented sector.

- The assessment can be requested by either the tenant or landlord of the property.
- However, consent for any work and for the cost to be added to the energy bill needs to be obtained from both the tenant and landlords and where appropriate the freeholder .
- Any information relating to energy efficiency improvements, the annual charge and payment term will be added to the Energy Performance Certificate for new tenants .

10

Who's behind it

- The assessment, and the installation of energy efficiency improvements will be offered by a wide range of companies, both small and large.
- We expect a variety of organisations from building companies, local trades people, energy suppliers and high street names to offer the initiative.



- All suppliers for the initiative will be accredited and regulated.
- The initiative is government backed.

11

Standards & Accreditation

- All accredited assessors and installers will be qualified and registered under the initiative to ensure a consistent and high standard.
- However, if you have any issues or problems with your assessment or assessor, or the installer and the work they undertake you will have consumer protection.
- An official complaints procedure will be in place.

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