



Department
of Energy &
Climate Change

Proposed changes to ECO

December 2013

Headline messages

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

Proposed changes for consultation (1)

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

The Targets

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

Proposed changes for consultation (2)

Proposals on ECO delivery

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

Proposed changes for consultation (3)

Carbon Emissions Reduction Obligation (CERO)

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

Proposed changes for consultation (4)

Carbon Saving Communities Obligation (CSCO)

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

Affordable Warmth or 'HHCRO'

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

Proposed changes for consultation (5)

Solid wall insulation (SWI)

- There will be a requirement to deliver a minimum level of SWI – set at 100,000, or a specific volume of CO₂ equivalent to that number of SWI installations
- The target would be delivered by 2017, across all companies and all elements of ECO
- There would be no other measure-specific sub-targets

Delivery costs

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

ECO Contracts

- Companies wishing to enter into bilateral contracts for installation of “easy to treat” measures from 1 April 2014 need to bear in mind that it won’t be possible to issue definitive Guidance before the policy is decided and implemented in law, following the consultation and Parliamentary scrutiny
- Arrangements in the brokerage market are different, as these are governed by a standard contract which makes explicit reference to the ECO Order
- Brokerage contracts are bilateral between the parties, who should take their own legal advice on their rights and obligations under the contracts
- However, DECC’s understanding is that the recent announcement is unlikely to affect the validity of these contracts

Next Steps

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

Timeline

- Q1 2014: consultation launched
- Q2/Q3 2014: lay legislation in Parliament
- Q4 2014: legislation in force
- Retrospective delivery of loft and cavity wall insulation from 1 April 2014
- **Exact dates to be confirmed, subject to Government & Parliamentary processes**