



Department  
of Energy &  
Climate Change

# Foundations in Place

The Green Deal and ECO Annual Report

2013/2014



Department  
of Energy &  
Climate Change

# Foundations in Place

The Green Deal and ECO Annual Report

Presented to Parliament under Section 109 of the Energy Act 2011.  
December 2014

**2013/2014**

**OGL**

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Our target is to install  
measures in one  
million homes by  
March 2015

A house in Nottingham with solid wall insulation  
funded through Green Deal Communities.

# Ministerial Foreword

## Welcome to this first Annual Report for the Green Deal and Energy Company Obligation (ECO).

Energy efficiency supports all our strategic goals. Cutting waste helps protect our security of energy supply. Reducing carbon emissions will help secure a sustainable future. Becoming more energy efficient protects consumers against rises in energy prices over the long term. And then there's the wider benefits of more comfortable, safer and healthier standards of living.

With our domestic buildings responsible for one quarter of our carbon emissions, it's clear that a concerted effort is needed if we are to meet our 2050 emissions reduction target.

Even though household energy consumption has fallen by one fifth in the last decade, millions of our draughty homes continue to waste heat and money. So while energy policies are helping households cut their use and manage their fuel bills – the average household is now saving £90 a year on their energy bills as a result - the best possible energy saving we can make is to prevent waste. We can all do more.

That is why Green Deal and ECO are central to the Coalition's strategy for household energy efficiency. Our approach is ambitious in terms of its immediate benefits and as a foundation for a credible and affordable long term programme.

The fact is that most of the technically straightforward work in our homes has been done.

Previous programmes have successfully tackled lofts, wall cavities and boilers. What's left to do is both more difficult and more expensive. Our plans aim to tackle that challenge in a cost effective way. Our vision is that consumers place as much value on energy saving improvements in the future as we do now a new bathroom or kitchen.

There is no silver bullet. A variety of initiatives will be needed. But the foundation must be to enable householders in different areas, and in different economic circumstances, to make informed judgements about how they use energy in their homes; to get access to trusted advice about improvements; and to tap into a range of mechanisms to support them in getting the work done to a good standard. That is the purpose of the Green Deal.

Nearly 400,000 Green Deal Assessments have already been carried out. And surveys consistently report that around 80% of those who received an assessment have said they have installed at least one recommended measure, or have active plans to do so.

The Green Deal Home Improvement Fund has proved very popular, and we expect to release a third tranche of funding in the New Year. Green Deal Communities and our planned regulation of the private rented sector are making an impact now on investment plans, and will deliver significantly more in the future.

We have also proved that Green Deal finance works. It is an innovative product, and works in a very different way to the commonplace high street loan. So it is bound to need time to attract confidence from consumers. This year saw a series of significant steps. And with over 7,000 finance plans now in progress, the data shows that demand is moving strongly in the right direction.

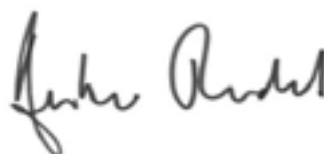
In terms of outcomes, 2014 has seen significant progress. 'Lifetime' carbon savings associated with installations made under ECO are in line with our expectations. By the end of September, we were well on track to meet our target of one million homes installing measures by March 2015, with 819,000 homes improved – and around 100,000 more to be counted against regulations agreed in Parliament in November.

Programmes like Green Deal and ECO will only be successful if they successfully balance a range of interests: they must protect consumers, they must be accessible to people in a wide range of circumstances, and sufficiently attractive to overcome the

barriers, like personal disruption, which we know exist with building work. They must be capable of delivery by a profitable supply chain. The Government is listening to the views of consumers and industry to get that balance right.

Our evaluation and engagement alongside has already generated numerous changes to the Green Deal and ECO. They are deeply practical and not the stuff of headlines. But this continual improvement is vital when launching any new product. And we will continue to listen and make improvements throughout 2015.

We look forward to building on these foundations, working with consumers and industry to drive the innovation necessary to ensure a secure, sustainable and affordable future.



Amber Rudd MP,  
Parliamentary Under Secretary of State  
for Department of Energy & Climate  
Change



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# Scale of the Challenge

The context for a new approach to household energy efficiency

## Case study

Nottingham City Council installed solid wall insulation to properties using £5 million awarded through Green Deal Communities – P28.



# Scale of the Challenge:

## The context for a new approach to household energy efficiency

The Government has put energy management at the heart of energy and climate policy. Improving the UK's energy efficiency and reducing waste is a strategic priority.

Our Carbon Plan maps out the UK's course for a low carbon approach. It shows that emissions from all our buildings have fallen since 1990 (by around 9%<sup>1</sup>) and that, since 2004, Government policies have helped reduce household energy consumption by one fifth. The contribution made by initiatives such as the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP) is important because these policies significantly increased the insulation levels of our homes. The requirement since 2005 for replacement boilers to be condensing models has further increased our comfort and helped us save money on our bills.

DECC's latest analysis estimates that in 2014 household bills were, on average, £90 lower than they would have been in the absence of government policies, including on household energy efficiency<sup>2</sup>.

Despite this, our domestic buildings are responsible for one quarter of the UK's carbon emissions and just over 40% of its final energy use<sup>3</sup>. Lights and appliances account for some of this demand but more than three quarters of the energy we use in our homes goes to heat our living space and hot water<sup>4</sup>.

To meet the UK's legally binding carbon targets, the emissions footprint of our buildings will need to be near to zero by 2050<sup>5</sup>. Exploiting the contribution that household energy efficiency can make requires action now. Two big changes are helping us to do this:

**Reducing the demand for energy in our buildings** by further and better insulating our buildings, using smarter heating controls and Smart Meters, and better lighting and appliances which can save us money and release resources to support growth elsewhere; and

**Taking carbon out of our heating and cooling supplies** by making the transition from conventional gas and oil heating to low carbon alternatives.

It is the need to focus on the first of the two changes that has driven the development of the Green Deal and ECO. The Government is committed to putting in place a coherent programme of activities which not only provide immediate practical help to householders but establish the foundation for new ways of promoting and enabling home improvements in future.

### **Establishing Green Deal & ECO: why was a new approach necessary?**

Thanks to CERT and CESP which improved around 8 million households, much of the straightforward energy efficiency work is done.

Around 99% of the 24 million homes with lofts already have at least basic insulation and 69% have adequate loft insulation. Of the 19 million homes with cavity walls, 72% have them filled, with fewer than a million un-insulated easy to treat cavity walls left to fill. Regulation is already driving the installation of well over a million condensing boilers a year.

By contrast only around 265,000 of the 8 million solid wall homes<sup>6</sup> have been insulated, leaving well over 95% untouched. There are also around 3.4 million hard to treat cavities to fill. These are more difficult and significantly more costly jobs. So a sustainable and affordable future means bringing forward technologies which can help meet these remaining challenges.

Our housing stock is not homogenous and neither are householders. Improvements must be cost effective and appealing to consumers living and working in different economic circumstances. Past approaches based on grant and subsidy succeeded in getting us so far, but they will not meet the very different challenge ahead.

Government action has to work to change the domestic energy efficiency landscape permanently and for best bill payer value. Any expectation that energy efficiency could be wholly funded by Government is simply not sustainable.

In establishing Green Deal and ECO,

the Government has set a new course to achieve this remaining potential.

Our guiding principles are:

- Enabling public money to deliver best value to all energy consumers; and helping the most vulnerable;
- Attracting private investment to this market to stimulate innovation in new technologies and design; and grow a skilled supply chain, supporting economic growth;
- Encouraging consumers to improve their homes by installing energy saving measures and be ready to meet some of the costs, incentivised with a range of offers and incentives, supported by simple routes to access a range of trusted industry professionals.

A range of initiatives will be needed to enable householders to make informed judgements about how they use energy at home, and support improvements which yield long term benefits. Our Household Energy Efficiency Programme provides a range of offers that can be accessed by consumers on their own or in combination.

Finding the initial investment for installations is one barrier to energy efficiency but far from the only one.

<sup>1</sup> The Carbon Plan – Reducing Greenhouse Gas Emissions, Part Two, DECC, 2011

<sup>2</sup> Estimated impacts of energy and climate change policies on energy prices and bills, DECC, 2014

<sup>3,4,5</sup> The Carbon Plan, Part Two, 2011

<sup>6</sup> <https://www.gov.uk/government/collections/green-deal-and-energy-company-obligation-eco-statistics>

Success depends as much on access to accurate information, good advice and companies which people can trust to carry out installations safely and to good standards. The Green Deal recognises this in offering households an assessment of how they use energy in their homes, an accreditation framework for commercial participants, as well as an innovative loan which can be repaid through the electricity bill.

Together, ECO, Green Deal finance, Green Deal Communities projects, Green Deal Home Improvement Fund and the proposed regulation of the private rental sector all play a significant part in constructing our approach for the long term.

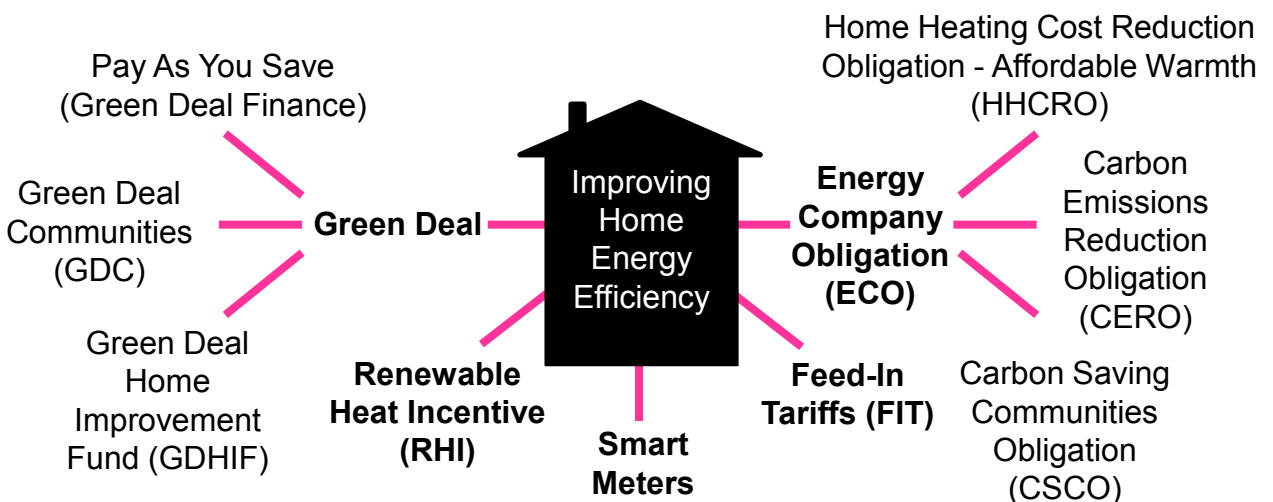
We set a milestone to have improvements installed in 1 million homes by March 2015 and we are on course to achieve this goal. By October 2014, nearly 400,000

households had undertaken Green Deal assessments and our regular consumer research is consistently finding that around 80% already had or intended to install at least one measure.

Altogether, almost 995,000 energy efficiency measures had been installed in over 819,000 homes by September 2014, with 150,000 more measures in around 100,000 homes to be counted against regulations agreed in Parliament (if they are formally notified to OFGEM as ECO measures).

Through other household policies, 600,000 renewable measures have been installed through Feed-in Tariffs, the Renewable Heat Incentive is starting to help thousands decarbonise their heat supply and over 400,000 smart and advanced meters are operational.

### DECC Household Energy Efficiency Initiatives





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# Changing the Household Energy Efficiency Landscape

Our story so far

## Case study

Sarah used a Green Deal finance plan, ECO and Green Deal Cashback to improve her home. She now finds it faster and easier to heat her home – P29.

# Changing the Household Energy Efficiency Landscape

Our story so far.

## Building the foundations for change

The creation of Green Deal and ECO in the Energy Act 2011 established a new market based framework designed to stimulate take up of household energy efficiency improvements. The two programmes are designed to tackle a range of barriers:

*Information barriers* are addressed by the Green Deal Assessment. It provides information about the way in which standard building materials perform and about the way in which householders use energy in their home, resulting in a 'bespoke' impartial advice report that can help households in different circumstances understand the measures they can take to improve their home's efficiency. Telephone access to a national energy saving helpline - the Energy Saving Advice Service, ESAS provides a range of advice to households, as well encouraging take up of energy efficiency measures; and published information is available on line via [www.gov.uk](http://www.gov.uk).

**Nearly 400,000 Assessments were done by October 2014. From our recent research published in September 2014, around 80% of households having had a Green Deal Assessment had already installed, were in the process of installing or intended to install at least one energy saving home improvement recommended by their Assessment.**

**By October 2014 over 500,000 calls had been made to ESAS and**

**[www.gov.uk/greendeal](http://www.gov.uk/greendeal) pages had almost 6 million views.**

*Financial barriers* – an innovative 'Pay As You Save' (PAYS) mechanism provides an option for consumers to take out a type of loan which is charged to the property and repaid through a Green Deal Plan via the electricity bill, helping credit or savings-constrained households, including those in the private rented sector, where there are split incentives between landlords and tenants. Green Deal finance is an innovative product and works differently to a commonplace high street loan. It is bound to need time to attract confidence from consumers.

**Since Green Deal finance became available in May 2013, Providers have started to enter the finance market at scale and develop customer offers. 65 authorised Providers are now offering finance and numbers of consumers taking Green Deal finance are growing. By October 2014 more than 7,000 households had chosen this innovative finance facility, while other households have used alternative methods to finance energy efficiency measures, as is expected in a well-functioning market.**

The Energy Company Obligation (ECO) complements the Green Deal and directs help towards vulnerable and difficult to reach customers and at properties which are harder to treat, including 'complex' cavity wall homes or those apt for solid wall insulation.

**964,000 ECO measures had been installed in over 800,000 homes by September 2014.**

*Trust barriers* – strong consumer protections between householders and suppliers of energy efficiency services include a system of accreditation for impartial assessments, reliable measures and installations, backed by a quality mark.

**By October 2014 there were over 7,000 authorised Green Deal market participants: 174 authorised Providers, 4,119 individual Assessors, 2,649 registered Green Deal Installer organisations**

### **Achieving best value**

DECC ran a competitive tendering process to ensure the Green Deal framework was established on time, and at lowest reasonable cost.

Contracts include the Energy Saving Advice Service (ESAS) helpline run by the Energy Saving Trust; the Green Deal Registration and Oversight Body (ORB), run by Gemserve, whose key role includes registering Assessors, Installers and providers as well as reporting on Green Deal activity and acting to protect the Green Deal Quality Mark; the ECO Administrator (Ofgem), which ensures that energy suppliers meet their targets under the Energy Company Obligation; and a Green Deal Ombudsman and Investigation Service, which assists customers with unresolved Green Deal complaints.

We built in transparency and broader market access to ECO from the start through a novel “brokerage” function to enable Green Deal Providers to offer best value packages to consumers.

### **A Programme for Household Energy efficiency**

We want to encourage consumers to meet some of the costs of installing measures. Incentives are an important feature of the Household Energy Efficiency Programme, to encourage consumers to make improvements which are harder to tackle, and to lever in greater levels of private contributions. Incentive schemes are accessible to consumers using Green Deal authorised companies, whether or not they use Green Deal finance. We have adapted our incentive offers over time as we have learned what works.

### **Incentivising consumers**

The Green Deal Cashback incentive ran from January 2013 until June 2014 and resulted in 14,700 vouchers being paid and 15,700 measures installed. Evaluation suggested that the scheme was too complex, and access too tightly constrained, to be a success.

The Green Deal Home Improvement Fund (GDHIF), was first offered to consumers in June 2014. It was developed under a three-year, £540 million funding package for energy efficiency announced at the Autumn Statement 2013.

Dovetailing with the Green Deal's principles, GDHIF aimed to pull more private finance into energy efficiency, as well as to compensate for the expected impact of changes to ECO on carbon reduction. Consequently it was targeted at encouraging take up of additional or more expensive home improvements.

Under GDHIF's first release, up to £120 million was available to households and landlords. It also included a "Homebuyers Bonus" to appeal to those who had bought a home in the preceding year.

GDHIF's first release was a very attractive offer that was simple to access and more widely available, through a range of over 1,000 Green Deal participants, than its predecessor. It received over 21,000 applications, overwhelmingly for solid wall insulation, before funds were fully allocated in July 2014. Over 8,000 measures had been installed under GDHIF by the end of October 2014. A second release of GDHIF in December made a further £30 million available, of which up to £24 million, available for solid wall insulation, was applied for within two days. Further incentive offers are expected to follow on a quarterly basis, with the next expected in February 2015.

The Green Deal Home Improvement Fund has succeeded in creating an on-going pipeline of work, so far expected to improve over 25,000 households, and has demonstrated demand for technologies which will be particularly important over the next ten years, in spite of temporary disruption associated

with building works. It is also encouraging companies to invest in new business models, with the needs of the consumer in mind.

### **Working locally, delivering locally**

Investment in large-scale initiatives delivered via local authorities has been an important feature of our Programme. It has helped us to understand what works best to engage different audiences locally, using combinations of approaches and communications through the local council, existing community groups, events, advertising, and demonstrator homes. Local authorities know their areas best, including which streets and properties could most benefit and, crucially, they are trusted partners in local communities.

Building on two local authority programmes Core Cities and Pioneer Places, our latest Green Deal Communities projects, worth over £80 million, involves local authorities working with community partners and businesses to help homes benefit from the Green Deal and energy efficiency improvements across whole areas.

23 local authority-led projects involving some 96 councils are supporting 'harder' retrofit approaches street by street.

The best projects are taking a creative approach to partnership working bringing together different sources of finance and leveraging private contributions.

The projects are also a valuable innovation pipeline, using the power of local action to test, learn and build an energy efficiency market while providing opportunities for improvement and regeneration and potentially improved public health. We are encouraging others to learn lessons, building on the ideas and network this initiative has created.

### **Listening, streamlining, improving**

The Green Deal and ECO Framework needs to strike a balance between simplicity, identifying the appropriate consumer contribution to funding, and incentivising installations and consumer protection. It is a radical departure from anything that has preceded it. The 'pay as you save' element we have developed in Green Deal finance is a world first.

Green Deal finance is proving to be an attractive offer for some consumers, especially those without ready access to savings, mortgage equity or other funds. It is also an important instrument to improve energy efficiency in the private rented sector, helping to minimise the up-front costs for landlords. We have worked with industry and others to identify and implement a number of enhancements to simplify key aspects of it, stripping out as much complexity and process as possible to improve both the business experience and the customer journey.

A series of 19 improvements to the way Green Deal operates includes a new Green Deal Advice Report; new and more user-friendly Green Deal Plan documentation from the Green Deal Finance Company (GDFC); the

capability for Providers to take customers from 'quote to completion' of a Green Deal Plan in one day if they wish to proceed on that timetable; and clarifications in the Consumer Credit Act 1974 to facilitate the availability of Green Deal finance in the private rented sector.

We are continually striving to improve the customer experience. We have enhanced information for consumers through a new on-line tool on gov.uk; and ensured more support from the Energy Saving Advice Service for consumers alongside improved search tools for Green Deal Participants on www.gov.uk.

We are reviewing the 'online' customer journey so that it provides better information for consumers wanting to improve the energy efficiency of their homes, as well as providing broader access to support from different Government schemes and offers across the household energy sector, including for customers interested in renewable heat.

Our comprehensive evaluation of the Green Deal and ECO framework is designed to make sure that we continue to learn lessons from how the programme is running, and ensure we have the right information for developing the programme in the future.

To achieve this, we are collecting and reporting on a comprehensive suite of monitoring and statistical information, and undertaking an economic impact evaluation and a process evaluation.



## Carbon Saving

The Third Carbon Budget requires the UK to reduce carbon emissions to 35% below its 1990 levels. This is an ambitious challenge but only a stepping stone towards the 2050 target of an 80% reduction in emissions.

Energy efficiency is a key component of Government's comprehensive package of policies that are driving emissions reductions across the economy, which also includes reforming the electricity market and building a market for renewable heat. Indeed, energy efficiency can be one of the most effective ways of saving carbon and energy, and savings from ECO and Green Deal are a key contributor to our country-wide commitments under the EU Energy Efficiency Directive.

With lifetimes of up to 40 years, many insulation measures installed today will still be delivering energy savings in 2050, so it makes sense to target the energy saved by energy efficiency measures.

We expect energy savings of 7.2TWh per annum by 2020 from ECO and Green Deal<sup>1</sup>, consistent with our commitments under the Energy Efficiency Directive.

The figure on Page 35 sets out provisional estimated lifetime savings of carbon saving measures installed under ECO, Green Deal and Green Deal Cashback<sup>2</sup>. The figure on Page 36 sets out estimated carbon savings by carbon budget period. The carbon impact on the Carbon Budget 2 period

(2013-2017) is provisionally estimated to be 1.13-1.16 MtCO<sub>2</sub> based on approved measures installed up to the end of June 2014<sup>3</sup>.

Measures installed to the end of the Budget period in 2017 will continue to count to this total and to deliver carbon savings for their whole lifetimes, potentially through the next carbon budget period and beyond.

Up to 150,000 additional measures are also in the pipeline to be counted against regulations agreed in Parliament in November, if they are formally notified to OFGEM as ECO measures. They have yet to be included, therefore, in an analysis of carbon savings.

A key test of the Green Deal and ECO framework is whether it has fostered a competitive market in the delivery of energy efficiency measures. On most measures, it has succeeded in creating this market, with a wide range of suppliers competing for households' business.

In the financial market, Green Deal finance is competing with other established financial products, and is being used by a growing number of households as their financing mechanism of choice.

<sup>1</sup> Number assumes ECO extends beyond 2017 but target levels are agreed to that point.

<sup>2</sup> Green Deal Home Improvement Fund not included.

<sup>3</sup> Latest numbers available. Green Deal Home Improvement Fund not included. Updated figures on carbon savings will be published in 18 December 2014.

## ECO and Green Deal Timeline

The public consultation on Green Deal and ECO took place from November 2011 to February 2012

Energy Saving Advice Service (ESAS) helpline is launched early 2012

### Summer 2012



- Govt publishes ECO/GD consultation response
- Green Deal Oversight and Registration Body (GDORB) is operational
- Certification for Green Deal participants begins
- ORB registration incentivised as fees waived for first two years
- Supply chain boosted as £3m training supports 2,000 new GD advisors and installers

### Autumn 2012



GD Framework switches on. Industry gets green light to bring the GD market into operation

ORB registration for authorised participants begins and Quality Mark is launched


£12m for 8 local authorities in English core cities to stimulate early scale Green Deal demand and grow local supply chains

### Winter 2012/13



- First Green Deal Assessments are available
- CERT and CESP schemes close
- DECC-supported Plan LoCal Energy Efficiency guide to community energy efficiency published
- £10m for 39 Pioneer Places energy efficiency projects involving 150 English local authorities
- ECO Phase 1 delivery begins. ECO Brokerage auctions commence

#### Timeline Statistics Key (figures from Jan 2013 onwards)

 Est. lifetime reduction in carbon emissions

£ Numbers of Green Deal Plans

 Numbers of GD Assessments

 Amount of ECO traded on brokerage

 Numbers of measures/ households   Numbers of GD Installers/Assessors

## Winter 2012/13 cont.

- Green Deal Cashback incentive offer details outlined
- Green Deal Cashback opens to customers and 'Green Deal With It' campaign launches
- Green Deal launches in Scotland

## Spring 2013

- Green Deal Finance Company operational to underwrite first Green Deal finance plans
- First GD and ECO official statistics published



## Summer 2013

Post assessment customer research shows over 80% asked had already or intended to go ahead with energy saving installations

### Up to end of Sept 2013:

 3.03 MtCO<sub>2</sub>

 85,176

 317,862

 278,330

 954

 £235.5m

 1,853

## Autumn 2013

Green Deal Communities competition launched to demonstrate street by street, local approaches to Green Deal



## Winter 2013/14

DECC announces Green Deal simplification programme

Green Deal Cashback rates uplifted for SWI to £4,000 and scheme extended to June 2014

Govt. review of policy impacts on fuels bills reduces typical household bills by £50 in 14/15

Govt. proposes recalibration to ECO, inc. revised targets and extension through to 2017

3-yr £540m energy efficiency package announced, with £450m for household energy efficiency incentives for home-buyers and private landlords

GD 'Green Deal with it' campaign promotes the benefits of a warm, cosy home

- 500,000 households helped under ECO and GD



## Spring 2014

- New “customer journey” tool launched on www.gov.uk, enhanced ESAS service
- Green Deal Home Improvement Fund (GDHIF) cash incentive offer outlined
- Legal clarification to Consumer Credit law unlocks Green Deal lending to private landlords helping energy efficiency in PRS sector
- Domestic Renewable Heat Incentive available to consumers
- 730,000 households helped under ECO and GD









## Summer 2014

- GDHIF opens to customers, ‘Unmissable’ advertising campaign launched
- Govt. consultation response confirms proposed changes to ECO plus ECO extension to 2017.
- ECO “1.2” draft legislation laid to implement ECO changes, with effect from April 2014
- Popular demand exhausts GDHIF funds after 21,000 applications
- PRS consultation on regulations begins



### Up to end of Sept 2014:

	<b>10.1 MtCO<sub>2</sub> (June)</b>
	<b>356,512</b>
	<b>994,720</b>
	<b>819,439</b>
<b>£%</b>	<b>5,736</b>
	<b>£417.9m</b>
	<b>2,729</b>

## Autumn 2014

- ECO “2” draft legislation laid to extend ECO to 2017
- £100m funding package for UK household energy efficiency.

## Winter 2014

- GDHIF second release opens
- Government publishes its first ECO and Green Deal Annual Report

## 2015

- March, on target for one million households to have had measures installed from January 2013
- GDHIF third release expected to open from February, then quarterly
- 31 March 2015 – ECO “1” ends
- 1 April 2015 - ECO “2” begins

## 2016

- From 1 April, tenants will have a right to request consent for energy efficiency measures that may not be unreasonably refused by the landlord
- Up to £120m funding for household energy efficiency for 2016/17 will be released

## 2017

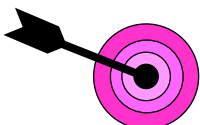
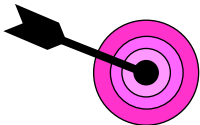
- ECO 2 ends on 31 March 2017

## 2018

- All eligible properties will have to be improved to a minimum energy efficiency standard before being let to tenants, except where certain exemptions apply
- Carbon Budget 3 – Great Britain to reduce carbon emissions to 35% below 1990 levels

## 2050

- The Government aims to achieve an 80% reduction in emissions by 2050 from 1990 levels





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We estimate £4.2bn worth  
of notional lifetime bill  
savings will be achieved  
from 359,000 affordable  
warmth ECO measures

The Green Deal Bus used by Bracknell Forest  
Council to promote Green Deal Communities.



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# The Future

## Case study:

Landlord Malcolm recognised that the Green Deal was the perfect solution for making his rental property in Wales more energy efficient – P30.

# The Future

Our Household Energy Efficiency Programme has set the direction we need to meet our ambitions. Passing the “million homes” milestone is just a start. The willingness of consumers to take up energy efficiency measures with the right type of help; well-designed incentives; a growing market for energy efficiency services from a competitive, sustainable supply chain which we are starting to see are important signs.

## Understanding a changing sector

Over the coming years we will be gathering better evidence of what energy efficiency measures deliver in practice; and as new technologies and options for carbon savings are introduced. We must be flexible enough to rebalance priorities in the light of evidence.

The ‘pay as you save’ model is an important instrument to bring in the private finance that is key to sustainable change in household energy efficiency. But it’s not the only part. The Programme recognises that information, advice and support are all important. Benefits will only accrue from the Green Deal if it provides all of these elements effectively.

As increasing numbers of properties are privately rented, that sector will continue to be an area of significant interest. Advances have been made to improve its energy efficiency and landlords are taking the opportunity to improve their properties; but it lags behind other tenures. In July 2014, the Government consulted on plans for

improving the energy efficiency of homes in the private rented sector and is currently considering stakeholder comments.

Ultimately, exploiting this framework through the next Carbon Budget period will need agreement about the potential from energy efficiency to meet carbon and fuel poverty targets in future.

We continue to believe this will need a range of initiatives to enable householders to make informed judgements about how they use energy in the home and support improvements over the long term.

We remain committed to review progress and publish interim research, statistics and evaluation reports, including information about carbon saving from household energy efficiency policies.





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# Appendices

## **Case study:**

Through Green Deal and ECO, Infinity's business has grown enabling them to recruit 16 new members of staff and partner with over 200 other registered Green Deal participants – **P32**.



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# Appendix 1: Case Studies



# Case Study: Impact on communities

In 2013, Nottingham City Council installed solid wall insulation to properties on the Clifton Estate. With funds of over £5 million awarded through Green Deal Communities (GDC), a street by street approach has made a big difference to the warmth and look of over 200 homes.

Nottingham estate / solid wall insulation installed / warmer and smarter looking homes



“ I can honestly say the house feels so much warmer now. I don't need to have the heating on nearly as much as I used to. My house looks really great from the outside as well, I'm proud of it.”

Clifton resident Bette Brown is overjoyed with the difference SWI has made to her home.

Clifton Estate residents had a choice of six pastel shades for SWI rendering on their homes

## The energy efficiency challenge

With spaciouly laid out homes, generous gardens and a close knit community, the Clifton Estate is a great place to live.

However, because a majority of the solid walled houses in Nottingham's Clifton Estate were built immediately after the war, the lack of suitable insulation meant the residents felt the cold during the winter months. Nottingham City Council were eager to help find an answer to the Clifton Estate's problem.

## The Green Deal solution

In 2013, the solution came when they were awarded Green Deal Communities

funding from the Department of Energy and Climate Change, enabling them to deliver household energy efficiency improvements within the local area.

## Energy efficiency improvement benefits

Work began promptly on a number of homes throughout the Clifton Estate. After the insulation was complete, residents were encouraged to have their home rendered in the colour of their choice, from six complimentary pastel shades (as displayed above).

This means that 200 homes on the Clifton Estate are now easier to keep warm and look smarter too.

# Case Study: Blending

**Business relationships director Sarah Adams has lived in her top floor, two-bedroom maisonette for three and a half years. Having heard about the Green Deal on her local news, Sarah was quick to book an assessment and find out what the scheme could do for her.**

**2-bedroom flat / loft insulation / new boiler / draught proofing / faster & easier to heat home**



**“All the work was completed on time and just when I needed it as the temperature begins to drop and I’m starting to use my central heating more. The money I received through the Government’s Cashback scheme was also an added bonus.”**

**Sarah Adams, Homeowner**

## **The energy efficiency challenge**

The flat was without central heating and poorly insulated - meaning Sarah really suffered with the cold in the winter. The first time she’d heard of the Green Deal was on the news, with her local council offering 100 Green Deal Assessments for free on a first come first served basis.

Jumping at the chance Sarah arranged an assessment and was recommended draught proofing, full loft insulation, cavity wall insulation and a new boiler and wet system.

## **The Green Deal solution**

Following the assessment Sarah decided to go with all bar

the cavity wall insulation, as she didn’t own the whole building. Sarah got all her work done using a Green Deal finance plan, ECO and Government Cashback. With this blend she had only a small amount to pay upfront. The total cost for the work installed was £5,456 and Sarah had a Green Deal finance arrangement of £4,164, ECO of £838 and Cashback of £350.

## **Energy efficiency improvement benefits**

Sarah found the whole process quick and efficient and now finds it faster and easier to heat her home, as well as seeing a reduction in her bills.

# Case Study: Green Deal and Private Sector Landlords

Landlord Malcolm Langford owns a number of rental properties and prides himself on offering comfortable properties at fair prices. As a member of the National Landlords' Association, Malcolm first heard about the Green Deal as he was flicking through their bi-monthly magazine. He instantly recognised that the Green Deal was the perfect solution for making his rental property in Wales more energy efficient.

Rental property solid walls / new boiler / flue gas heat recovery / solid wall and loft insulation / improved property and controlled energy costs



“It’s a gain to both me and Malcolm. The property is improved for the landlord and will help me to control my bills.”

Carol, Tenant

## The energy efficiency challenge

By Malcolm’s own admission he recognised that one of his rental properties had: “Potential for energy efficiency improvements. The property had solid walls, questionable insulation, and a G-rated back boiler.”

After Malcolm explained the benefits of the Green Deal to one of his tenants, Carol, she was positive and thought it worthwhile to have a Green Deal Assessment on the property.

## The Green Deal solution

The Green Deal Assessor gave Malcolm a Green Deal Advice Report (GDAR), which recommended four different energy efficiency improvements to the property: loft

insulation, solid wall insulation, a new boiler and a flue gas heat recovery unit. Carol recognised that the recommended energy efficiency improvements should make her home easier to heat and help bring bills under control too and she agreed\* with Malcolm to go ahead with the work.

Malcolm had pointed out that, after his up-front contribution, the repayments Carol would make – over time through her electricity bills – were likely to be offset by a reduction in her energy bills as a result of the energy efficiency improvements. He also explained that Carol would only be responsible for the repayments for the time she was liable to pay the energy bills, after which the responsibility would pass to the next bill payer\*\*.

# Case study: Green Deal and Private Sector Landlords cont.



## Energy efficiency improvement benefits

Malcolm went ahead and had all four measures installed using a blend of ECO, Green Deal Home Improvement Funding (GDHIF) and Green Deal Finance to pay for it.

For the external solid wall and loft insulation, which cost a total of £8,738.89, Malcolm received ECO support worth £6,141.66. Towards the £4,309.32 cost of the new boiler and

flue gas heat recovery unit, Malcolm received £1,000 from GDHIF.

Malcolm entered into a Green Deal Finance plan for £1,544.49 to assist him with the remaining costs, meaning that part of the costs of the improvements would be met by repayments made over time by his tenants.

Malcolm also received £100 towards the cost of his GDAR from the GDHIF scheme.

\*Before entering into the Green Deal plan, as the person making the arrangements to have the energy-efficiency improvements installed, Malcolm was required to obtain Carol's confirmation that she agreed to make the repayments set out in the Green Deal plan. This is a requirement under the Green Deal rules where the person responsible for the energy bills (for example a tenant like Carol) is not the person making the arrangements to have the energy-efficiency measures installed (for example a landlord like Malcolm).

\*\*Under the Green Deal, tenants are only required to make repayments for any time during which they were responsible for the energy bills at the property. Hence, when a tenant ceases to be responsible for paying the energy bills, they cease to be responsible for making repayments under the Green Deal plan and the responsibility to make repayments under the Green Deal plan passes to the new bill payer.

# Case Study: Industry taking a lead

Infinity Energy Organisation have been a Green Deal Accredited Installer and Provider since 2012 and through the Green Deal and ECO schemes their business has grown enabling them to recruit new members of staff, partner with over 200 other registered Green Deal participants and create cosier homes for more than 3,000 customers.

Partnered with over 200 Green Deal participants / recruited 16 new staff / helped more than 3,000 customers



“ The Green Deal allowed me to enter a business market I wouldn’t usually have access to, and turn it into a viable and successful enterprise.”

Managing Director of Infinity Energy Organisation, Marvin Patel, was eager to grow his energy efficiency business.

## Business ambition and strategy

As an MD who understands the power of planning, Marvin Patel was confident he could expand his business by putting together a strategic marketing campaign using Green Deal.

His decision paid off. Since 2012, Infinity Energy Organisation, a Green Deal accredited Installer and Provider, has increased its turnover; recruited 16 new members of staff and successfully partnered with 120 Assessors and 89 Installers.

## Working with Green Deal

Having always been passionate about home energy efficiency, and the huge difference that small improvements can make, Marvin was eager to expand his

business into London and the rest of Great Britain. To help him achieve his goal he put together a comprehensive marketing plan which gave Infinity Energy Organisation the visibility and credibility they needed.

Marvin allocated a marketing budget of £25,000 towards the project and invested part of the money in branding his fleet of vans with the Green Deal quality mark, which Marvin believes: “Reassures the public that we are credible to work with.” It also means that Infinity Energy Organisation must meet the high standards set for every one of the over 3,000 fully accredited Green Deal organisations.

# Case study: Industry taking a lead cont.



Marvin's marketing plan also incorporated the distribution of 70,000 leaflets throughout key areas of London; the production of ECO Living, a 12 page magazine full of useful energy tips and the creation of a television advertisement to promote the work of Infinity Energy Organisation.

## **Business benefits of the Green Deal**

Marvin Patel's planning and focus has

paid off. Using Green Deal Home Improvement Fund and Green Deal Finance, Infinity Energy Organisation have helped a total of 78 householders enjoy cosier homes and more control over their heating bills this winter.

Through ECO they've also installed a total of 3,500 energy efficiency measures in homes throughout Britain.



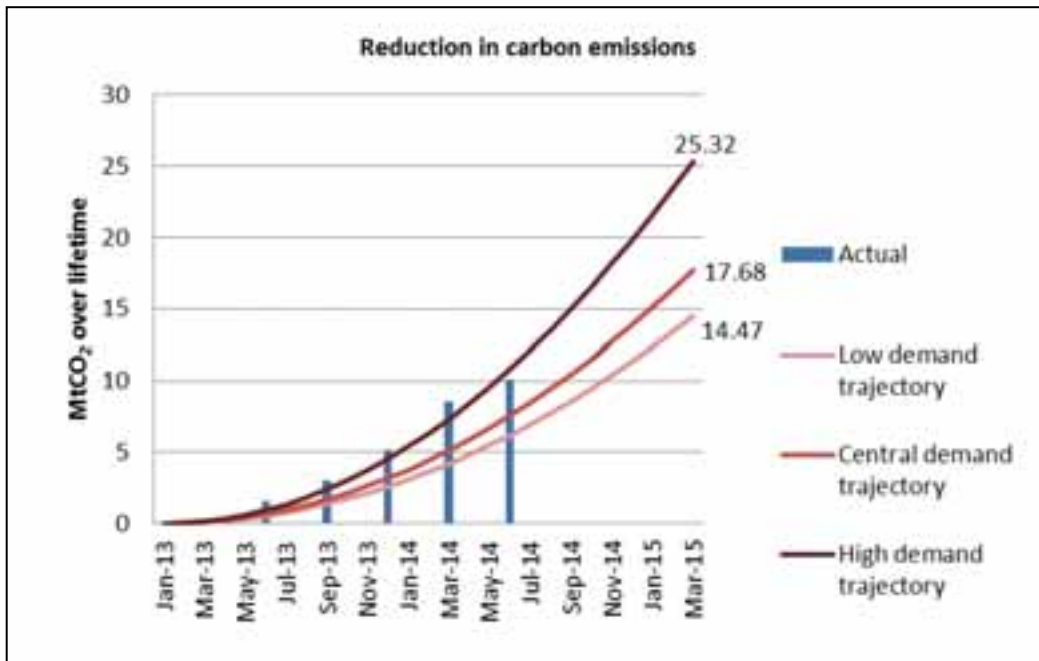


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# Appendix 2: Statistics

# Lifetime Carbon Savings

The provisional estimated lifetime carbon savings of measures installed under ECO (excluding Affordable Warmth), Cashback, and Green Deal Finance<sup>1</sup> was between 9.96 – 10.17 MtCO<sub>2</sub> with provisional estimated lifetime energy savings between 44,683 – 45,651 GWh at the end of June 2014.



<sup>1</sup> Green Deal Home Improvement Fund to be included in subsequent statistical updates

## Notes

1. Trajectories show three scenarios for estimated carbon savings associated with measures installed under two ECO carbon targets, all related to the modelling for the July 2014 Impact Assessment (IA).
2. **Central:** Consistent with central scenario in the July IA, assumes total of 17.7MtCO<sub>2</sub> lifetime delivered to end of March 2015. Assumed that 1/3 of total remaining delivery for three year target period to end of March 2017 (after estimated impact of policy changes and uptake to end of March 2014) is delivered in year to end of March 2015.
3. **Low:** As per central but assumes no over-delivery against 2015 targets; total ambition delivered of 14.5MtCO<sub>2</sub> lifetime.
4. **High:** As central scenario but greater over-delivery to 2015 targets (25.3MtCO<sub>2</sub> lifetime delivered to end of March 2015); 2/3 of remaining total.

# Carbon Savings by Carbon Budget (CB) Period

The provisional total carbon impact in CB 2 period is estimated between 1.13 – 1.16 MtCO<sub>2</sub> based on measures installed up to the end of June 2014.

**Table 1: Provisional estimated carbon savings from measures installed up to 30th June 2014 in Carbon Budgets (CB) periods 2, 3 and 4**

Measure type	Expected lifetime years of measure type	All ECO (+ Cashback and Green Deal Plans <sup>1</sup> )		
		Estimated carbon saving (MtCO <sub>2</sub> )		
		CB2 (2013-2017)	CB3 (2018-2022)	CB4 (2023-2027)
Boiler	1.4 <sup>3</sup>	N/A (0.01)	N/A (0.00)	N/A (0.00)
Cavity Wall Insulation	42	0.63	0.74	0.74
Doors	30	0.00	0.00	0.00
Loft Insulation	42	0.18	0.21	0.21
Micro-generation	25	N/A (0.01)	N/A (0.01)	N/A (0.01)
Other Heating	1.4	0.10	0.00	0.00
Other Insulation	42	0.00	0.00	0.00
Solid Wall Insulation	36	0.21 (0.01)	0.25 (0.01)	0.25 (0.01)
Window Glazing	20	0.00	0.00	0.00
<b>Total</b> <sup>2</sup>		<b>1.13 (0.03)</b>	<b>1.21 (0.03)</b>	<b>1.21 (0.03)</b>

<sup>1</sup> Estimated carbon savings for Cashback and GD Plans are shown in brackets. There is some overlap of energy efficiency installations across ECO, Cashback and Green Deal Plans, so these cannot be added together.

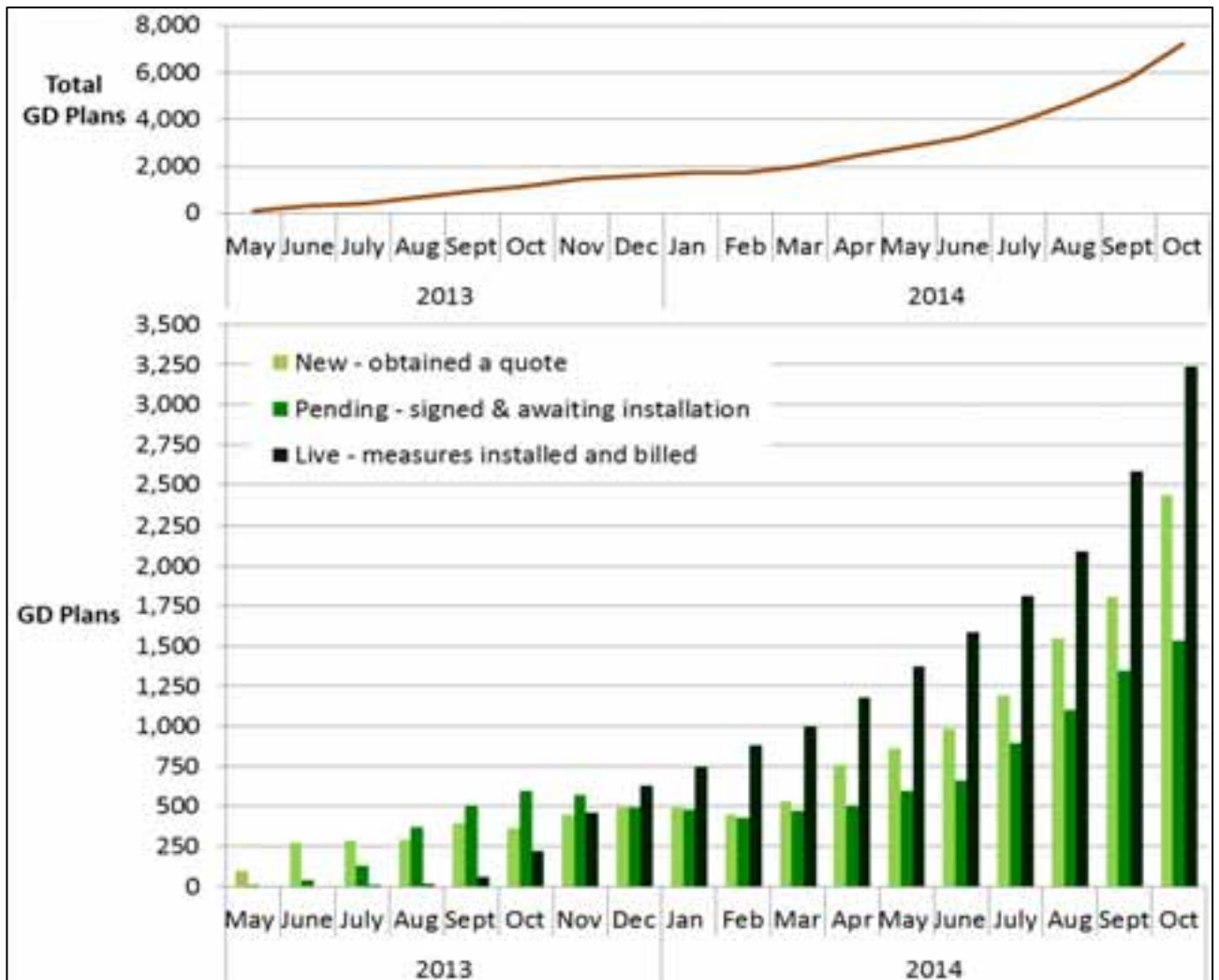
<sup>2</sup> There is a small level of estimated carbon saving attributable to some measures that when rounded to two decimal points appears as zero so some totals do not tally. Please also see the footnotes for Lifetime Carbon Savings in Table 1.15 in Quarterly Statistics up to June 2014 on [www.gov.uk](http://www.gov.uk).

<sup>3</sup> A 2011 evaluation of the Boiler Scrappage Scheme estimated that boiler replacements were brought forward on average 1.4 years per successful voucher. This estimate has been included to give a better approximation of the additional effect upon estimated carbon and energy savings that Green Deal Cashback and GD Plans has had on boilers. Boilers and micro-generation measures are not available under the ECO carbon obligations.

## Notes:

1. Estimated carbon savings are based just on measures installed up to the end of June 2014. These estimates do not include any measures installed under the Green Deal Home Improvement Fund.
2. Calculations are based on the assumed lifetime of each measure group with the savings attributed to the Carbon Budget periods. The method assumes that measures were installed uniformly throughout 2013-14,
3. It is assumed that only 4.25 years of carbon is captured in Carbon Budget period 2 (January 2013 to June 2014 is 1.5 years; mid-point = 0.75). 5–0.75 = 4.25 (therefore only 4.25 years' worth of carbon per measure is captured, apart from boilers and other heating where all 1.4 years of carbon would be within CB2 and do not contribute towards CB3 and CB4).

# Green Deal Plans in unique properties, cumulative totals by month, and by stages.

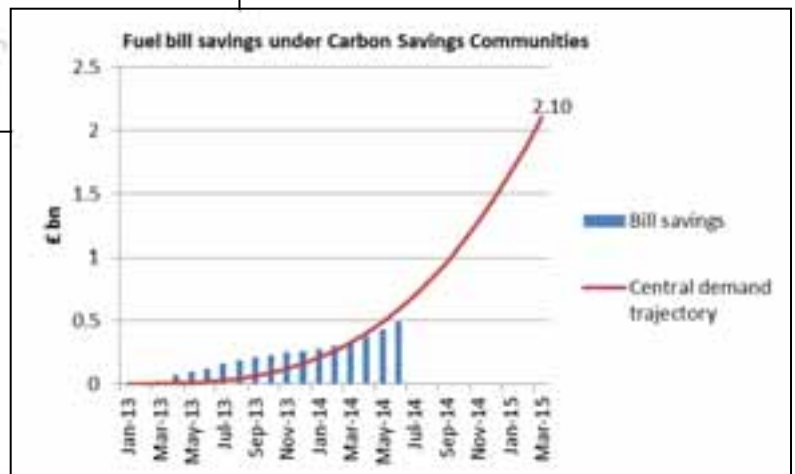
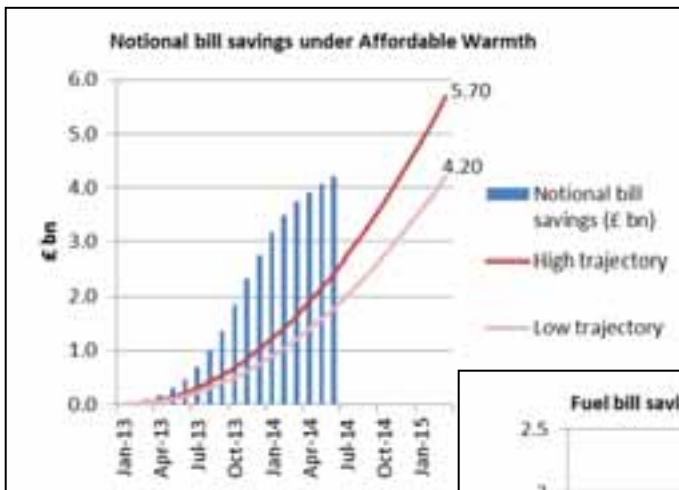


For consumers who choose GD finance, there are three stages in the life cycle of a GD Plan. The **first stage** (a 'new' Plan) is after a consumer has obtained a quote and confirmed they wish to proceed, the **second stage** (a 'pending' Plan) is when a Plan has been signed by the consumer and progress is being made to install measures, whilst the **final stage** (a 'live' Plan) is after the measures have been installed and the energy supplier has all the information required to bill GD charges.

In total, there were **7,207 GD Plans in progress** at the end of October 2014, up from 5,736 at the end of September 2014. This represents continued growth in the number of GD Plans in the system after a period of relatively low activity. Of these 7,207 Plans, 2,434 were 'new' (quote accepted), another 1,534 were 'pending' (Plan signed) and 3,239 were 'live' (all measures installed), 45 per cent of all Plans.

# Fuel bill savings

- Affordable Warmth lifetime bill savings by end of June 2014 estimated at **£4.2bn**.
- Based on a preliminary calculation methodology, lifetime bill savings from CSCO by end of June 2014 are estimated at **£0.49bn**. This calculation uses central IAG gas price projections, includes only SWI, CWI, Loft insulations and boilers. It assumes that all measures are installed in a gas-heated, 3-bed semi-detached home. This figure will be updated using a more accurate methodology.



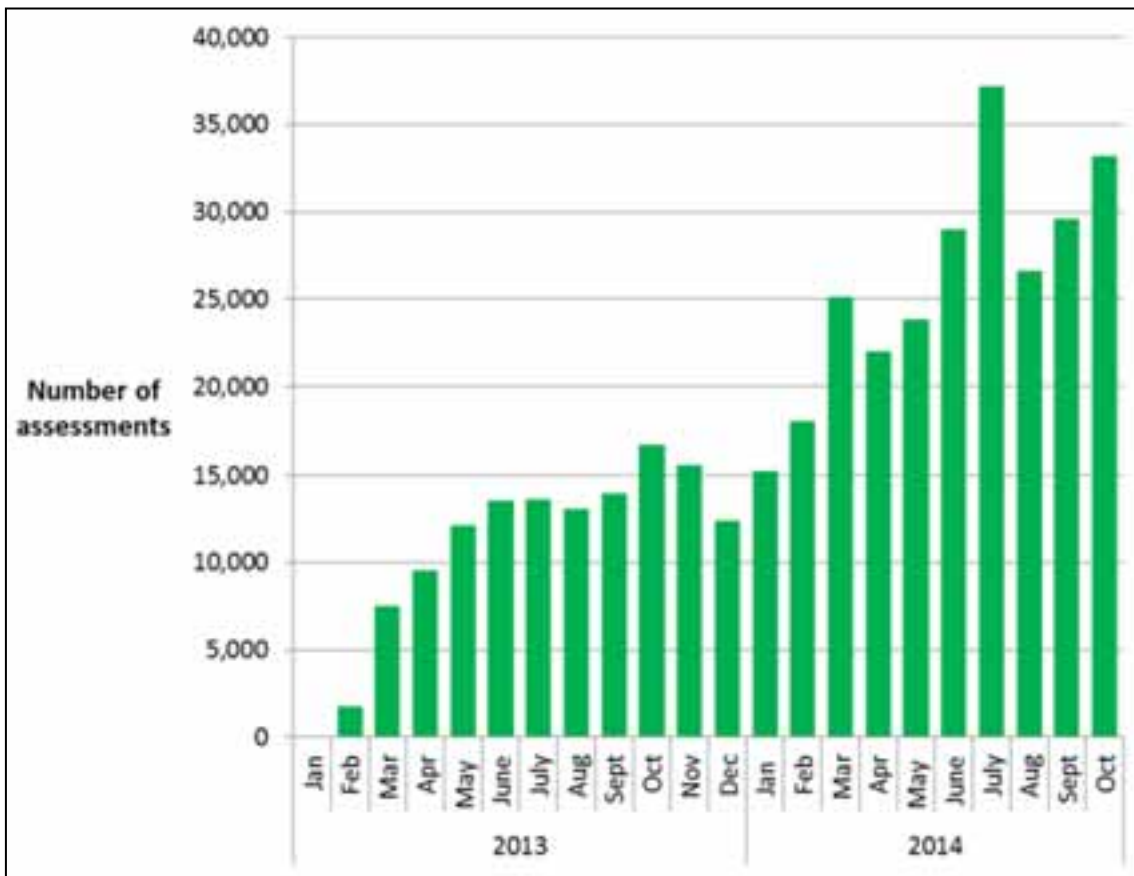
## Notes

1. Affordable Warmth (AW) and Carbon Savings Communities (CSCO) are the two elements of ECO aimed at helping those in fuel poverty and have therefore been used here as the basis for understanding fuel bill savings. For CSCO, carbon savings are converted into bill savings.
2. Energy savings delivered through AW and CSCO cannot be combined because their calculation is different. Unlike the Affordable Warmth target, the estimated energy savings used are after in-use factors and before any behavioural changes (comfort taking).
3. The AW trajectories show two scenarios for notional heating bill savings under the AW target.
4. **Low:** Assumes compliance with the 31 March 2015 target but no over-compliance (£4.2bn).
5. **High:** Assumes amount of 2017 target brought forward to end of March 2015 is double that under the central scenario (consistent with that in the July 2014 IA), i.e. a total of £5.7bn.

# Number of Green Deal Assessments lodged by month

The first step in the GD process involves a GD Assessor coming to the home, talking to the owner/occupier about their energy use and seeing if they can benefit from making energy efficiency improvements to their property. This leads to a Green Deal Advice Report (GDAR) being produced for the householder and lodged on a national register. The customer is then able to view the energy efficiency measures which have been recommended and understand the potential costs and savings.

At the end of October 2014 there were 389,703 GD Assessments lodged in total. The 33,191 GD Assessments in October was 12 per cent higher than the number in September (29,630), the second highest number recorded in a month to date.





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# Appendix 3: Green Deal Framework Improvements



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# Green Deal Framework Improvements

No	Improvement	Outcome and Impact
1	Faster ORB approval process for applicant GDPs	<p><b>Intended outcome:</b> Reduce the time it takes GD ORB to authorise organisations as GDPs.</p> <p><b>Impact:</b> ORB application processing time halved (to 22 calendar days max).</p>
2	'MOT' checklist of home improvements available for Advisors to give to customers	<p><b>Intended outcome:</b> Provide consumers with a clear, user-friendly list of what is available to them so they are more informed about the range of options to improve their home energy efficiency.</p> <p><b>Impact:</b> To be measured through evaluation research.</p>
3	Faster GDFC approval process for applicant GDPs	<p><b>Intended outcome:</b> Rationalise the requirements and set out more clearly the information and stages involved in approval and to reduce the length of the authorisation process.</p> <p><b>Impact:</b> The 'on-boarding' time has reduced from several months, in some cases to 6 weeks.</p>
4	Extra support for authorised GDPs not yet active in the market – dedicated support service provided by GDFC	<p><b>Intended outcome:</b> To give GDPs, not yet active in the market additional support to help them become so more quickly.</p> <p><b>Effectiveness:</b> To date the GDFC has engaged with 114 GDPs, exchanged contracts with 74 GDPs and have fully completed training for 65 GDPs, now able to sell Green Deal Finance.</p>
5	New and more user-friendly Information Plan documentation issued to Providers	<p><b>Intended outcome:</b> To make the finance offer more accessible to customers by:</p> <ul style="list-style-type: none"> <li>• Simple explanation of the purpose and content of different credit and installation agreements.</li> <li>• Clearer explanations of the process customers need to go through to get GD finance.</li> <li>• Reduced dropout rate for customers requesting a GD plan.</li> <li>• Reduced time and costs for GDPs as they don't need to develop their own material for customers.</li> </ul>



No	Improvement	Outcome and Impact
6	New online tool on gov.uk	<p><b>Intended outcome:</b></p> <ul style="list-style-type: none"> <li>• To help customers identify the most appropriate help or support based on their self-identified needs</li> <li>• Drive uptake of energy efficiency, renewable heating and micro generation programmes</li> <li>• Transitioning the Energy Saving Advice Service (ESAS) to digital-by-default</li> <li>• Provide valuable and actionable customer insight</li> <li>• Help identify potential synergies and efficiencies in policy delivery.</li> </ul> <p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• 108,537 unique visits since launch of the new tool (5 January 2014)</li> <li>• Visits expected to increase following the launch of the gov.uk application programming interface (API), permitting the tool to be embedded on 3<sup>rd</sup> party partner websites.</li> </ul>
7	Improved information on Government energy efficiency schemes – new content on gov.uk	<p><b>Intended outcome:</b> To present an on-line, joined up consumer offer across the range of DECC’s domestic energy efficiency policies and to provide customers with a clear, trusted, single source of the help available to them for energy saving home improvements. Greater user satisfaction, more traffic and driving people to next step in the customer journey.</p>
8	‘Quote to Completion’ – systems in place to enable customers to get a Green Deal Plan on same day they are offered a quote	<p><b>Intended outcome:</b> Reduce the time involved in getting GD finance plan and therefore increase uptake of plans / reduce drop-out rates.</p> <p><b>Impact:</b> New system has stripped out c.10 days of time previously required for the exchange of documents between the customer and provider. Individual providers free to decide on the timescales that suit their particular operating model.</p>
9	Amendments to the Consumer Credit Act 1974	<p><b>Intended outcome:</b> Clarification of definition of ‘debtor’ for a Green Deal plan in tenanted properties now enables GDFC and providers to offer finance in the Private Rented Sector.</p> <p><b>Impact:</b> Domestic landlord sector now able to use GD finance – first plan signed on 18 March 2014.</p>

No	Improvement	Outcome and Impact
10	New signposting service provided by ESAS	<p><b>Intended outcome:</b> To increase home energy efficiency measures installed by signposting customers to local offers in their areas.</p> <p><b>Impact:</b> Since the launch of the Local Authority service on 28<sup>th</sup> January 2014, 5,798 customers have been signposted to local offers that have matched their requirements.</p>
11	New ESAS Customer Support Service	<p><b>Intended outcome:</b> To reduce drop-out where customers encounter barriers (e.g. lack of information, inability to locate active Green Deal Providers) and increase the number of GD finance plans taken up.</p> <p><b>Impact:</b> Since the launch of the service on 5<sup>th</sup> March 2014, 766 customers have signed up to use this service.</p>
12	Improved Green Deal Provider search tool on gov.uk	<p><b>Intended outcome:</b> To improve the quality of information on Green Deal Providers available so interested consumers can move on to the next stage of the customer journey.</p> <p><b>Impact:</b> Improved search data has provided more accurate information on the readiness and geographic coverage of GDPs. There have been over 510,500 unique searches (both of the consumer and participant tool) since the launch of the updated tool on 5<sup>th</sup> March 2014.</p>
13	New and improved Green Deal Advice Report	<p><b>Intended outcome</b></p> <ul style="list-style-type: none"> <li>• Simple, straightforward information on the improvements that are suitable to a customer's home.</li> <li>• To explain and signpost to FiTs, RHI and ECO as well as GD finance.</li> </ul> <p><b>Impact:</b> Consumers better able to understand information about their actual energy use and recommended energy efficiency measures. Improved Report will also show people what support they can receive from other household energy initiatives and incentives to enhance the experience.</p>
14	Improved information sharing between Advisors and Providers	<p><b>Intended outcome:</b> Improved information sharing between assessors and providers so that GDPs are more confident to operate in the independent assessment market.</p>

No	Improvement	Outcome and Impact
15	Insurance Backed Guarantees (IBGs)	<b>Intended outcome:</b> To give GDPs more choice and flexibility through which to procure IBGs cost effectively for the consumer. To create more competition in the IBG market. Greater numbers of insurers offering Green Deal IBGs at more competitive prices.
16	Green Deal Finance: Golden Rule	<b>Intended outcome:</b> GDFC to enable Green Deal Plan instalments to increase by 2% per year (in accordance with the current framework), which will enable customers to borrow more through the Golden Rule calculation (10-20% more GD finance over the lifetime of a 25 year loan).
17	Access to the EPC Register – easier targeting of those properties most in need of improvement	<b>Intended outcome:</b> To enable GD participants to identify E, F and G banded properties more easily. Reduced search, and therefore operating, costs for the supply chain.
18	Green Deal Participants to have more flexibility in how they install recommended measures	<p><b>Intended outcome:</b> To increase flexibility for GD participants by:</p> <ul style="list-style-type: none"> <li>• Making choices on the OA tool more generic (e.g. increase loft insulation instead of increase loft insulation to 270mm).</li> <li>• Setting default savings estimates in the OA tool at Building Regulations standards (Advisors will not be expected to understand all of the specific exemptions that may apply to a particular building).</li> <li>• Enabling GDPs to make amendments so that they can install measures that go above the minimum standards set out in Building Regulations and offer alternative options to customers.</li> </ul> <p><b>Effectiveness:</b> Expected to lead to Providers offering more tailored Green Deal Improvement Packages and minimise the number of Plans “failing” by offering a greater level of precision for the savings calculation.</p>
19	Green Deal finance available for more measures	<b>Intended outcome:</b> A greater number of measures are selected within Green Deal Advice Reports and taken forward into Plans.



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## For more information:

Contact the Energy Saving Advice Service at 0300 123 1234  
(calls charged at national rates)

Visit [www.gov.uk/greendeal](http://www.gov.uk/greendeal) to find out more about heating  
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