Department
of Energy &
Climate Change

Green Deal and Energy Company Obligation Annual Update 2015

November 2015

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Executive Summary

In 2014, the Department reached its goal of improving the energy efficiency of 1 million homes through the Energy Company Obligation (ECO) and the Green Deal. The goal was achieved four months early, with 1.2 million homes improved by the target date of March 2015.

By the end of June 2015 over 1.5 million energy efficiency measures had been installed under the Energy Company Obligation and the Green Deal. Measures installed under the Green Deal and carbon obligations of ECO are estimated to have saved 21.1 – 22.2 MtCO2 in lifetime carbon savings.

It is estimated that ECO measures installed in properties occupied by low income and vulnerable consumers are estimated to achieve £6.8bn worth of notional lifetime bill savings. Installing energy efficiency measures in these properties is to support people at greater risk of living in fuel poverty.
In 2014, household energy bills were estimated to be around £90 (6%) lower on average, due to DECC policies including ECO and Green Deal.

In total, there were 15,408 Green Deal Finance Plans in the system for unique properties at the end of August 2015.

Lifetime Carbon Savings

The provisional estimated lifetime carbon savings of measures installed under ECO (excluding Affordable Warmth), Cashback, Green Deal Home Improvement Fund (GDHIF) and Green Deal Finance Plans was between 21.1 – 22.2 MtCO2 with provisional estimated lifetime energy savings between 86,389 – 91,212 GWh at the end of June 2015.

Table 1: Estimated lifetime carbon savings[1] relating to measures installed through ECO, Cashback, Green Deal Home Improvement Fund and Green Deal Plans, up to 30th June 2015

	All ECO (+ Cashback, GDHIF and GD Plans)[2]		
	Estimated lifetime carbon saving (MtCO2)		
Measure type	Non-traded[3]	Traded	Total
Boiler[4]	N/A (0.03)	N/A	N/A (0.03)
Cavity Wall Insulation	10.38 (0.02)	1.52	11.9 (0.02)
Doors	0.00	0.00	0.00
Lighting[4]	N/A	N/A	N/A
Loft Insulation	5.23 (0.05)	0.63	5.86 (0.05)
Micro-generation[4]	N/A	N/A (0.15)	N/A (0.15)
Other Heating	0.27	0.26	0.53
Other Insulation	0.09 (0.02)	0.02	0.11 (0.02)
Solid Wall Insulation	2.14 (0.86)	0.52	2.66 (0.86)
Window Glazing	0.01	0.00	0.01
Total[5]	**18.12 (0.98)**	**2.95 (0.15)**	**21.07 (1.13)**

Notes

[1] Estimated carbon savings relating to measures installed through ECO (as well as Cashback, GDHIF and Green Deal Plans) are adjusted by measure in-use-factors and reduced by 15% to account for behavioural change following the installation of measures. This is consistent with the methodology employed in the 2012 and 2014 ECO final Impact Assessments, and in no way impacts on the progress reported in supplier obligations. Therefore, the carbon estimates for ECO may differ from those published through Ofgem. Estimated savings through Affordable Warmth are not included.

[2] The estimated carbon savings for Cashback, GDHIF and GD Plans are shown in brackets. There is some overlap of energy efficiency installations across ECO, Cashback, GDHIF and GD Plans, so these cannot be added together.

[3] Carbon emissions are divided into the traded - those covered by the EU Emission Trading Scheme (ETS) - and non-traded sectors.

[4] Boilers, lighting and micro-generation measures are not available under the ECO carbon obligations. 'Boiler' measure type also includes flue gas heat recovery devices. Micro-generation measures and lighting measures are only available under Green Deal Plans.

[5] These estimated carbon savings have not been incorporated into DECC's 2014 Updated Energy and Emissions Projections (UEPs) published in September 2014, which instead is consistent with energy and carbon saving projections as specified in the 2014 Future of the Energy Supplier Obligation Final Impact Assessment.

These figures were first published in Table 1.15 of the detailed ECO statistic report. More details on estimating the carbon savings can be found in the following methodology note.

Carbon Savings by Carbon Budget (CB) Period

The provisional total carbon impact in CB 2 period is estimated between 1.84 – 1.97 MtCO2 based on measures installed up to the end of June 2015.

Table 2: Provisional estimated carbon savings relating to measures installed through ECO, Cashback, GDHIF and Green Deal Plans, up to 30th June 2015 in Carbon Budgets 2, 3 and 4

		All ECO (+ Cashback, GDHIF and GD Plans[1])		
		Estimated carbon saving (MtCO2)		
Measure type	Expected lifetime years of measure type	Carbon Budget 2 (2013- 2017)	Carbon Budget 3 (2018- 2022)	Carbon Budget 4 (2023- 2027)
Boiler [3]	1.4	N/A (0.03)	N/A	N/A
Cavity Wall Insulation	42	1.03	1.42	1.42
Doors	30	0.00	0.00	0.00
Lighting	5	N/A	N/A	N/A
Loft Insulation	42	0.48	0.70 (0.01)	0.70 (0.01)
Micro-generation	25	N/A (0.02)	N/A (0.03)	N/A (0.03)
Other Heating [4]	1.4	0.05	0.07	0.07
Other Insulation	42	0.01	0.02	0.02
Solid Wall Insulation	36	0.27 (0.08)	0.37 (0.12)	0.37 (0.12)
Window Glazing	20	0.00	0.00	0.00
Total [2]		**1.84 (0.13)**	**2.58 (0.16)**	**2.58 (0.16)**

Notes

[1] Estimated carbon savings for Cashback, GDHIF and Green Deal Plans are shown in brackets. There is some overlap of energy efficiency installations across ECO, Cashback, GDHIF and GD Plans, so these cannot be added. All estimates have been adjusted by measure in-use-factors and reduced by 15% to account for behavioural change following the installation of measures. Estimated savings through ECO Affordable Warmth are not included.

[2] There is a small level of estimated carbon saving attributable to some measures that, when rounded to two decimal points, appears as zero, and therefore some totals do not tally.

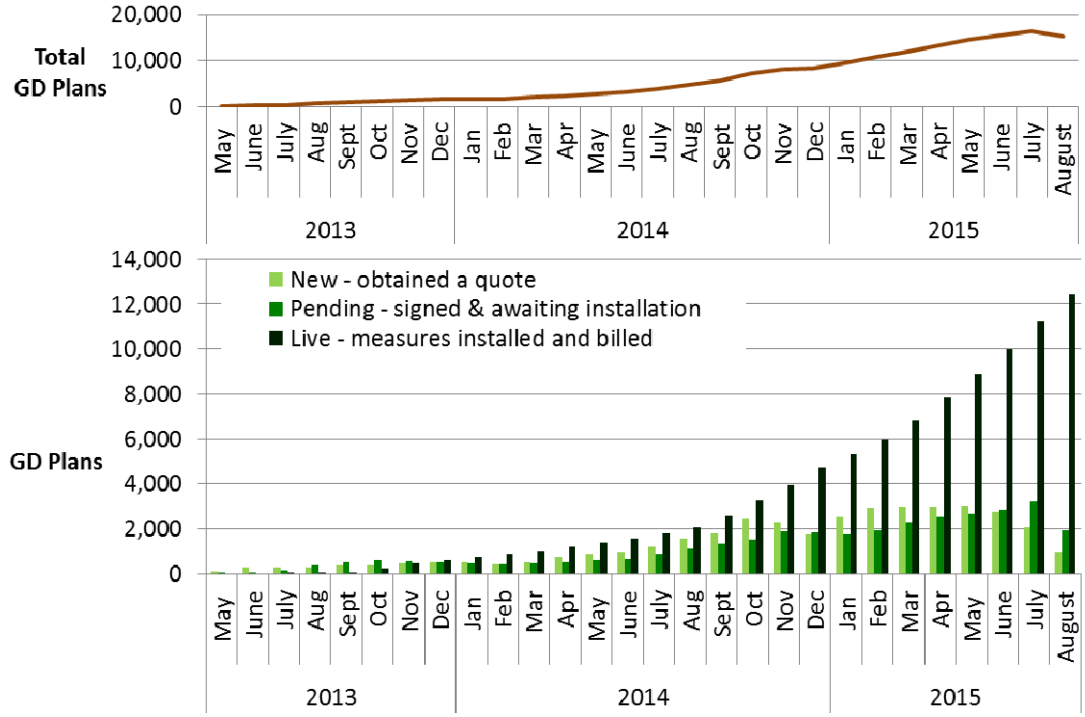
[3] A 2011 evaluation of the Boiler Scrappage Scheme estimated that boiler replacements were brought forward on average by 1.4 years per successful voucher. This estimate has been included to give a better approximation of the additional effort on estimated carbon savings that Cashback, GDHIF and GD Plans has had on boilers. Boilers, lighting and micro-generation measures are not available under the ECO carbon obligations. 'Boiler' measure type also includes flue gas heat recovery devices. Micro-generation measures and lighting measures are only available under Green Deal Plans.

[4] The expected lifetime years are indicative only; lifetime years for other heating measures vary from 1.4 years for heating controls to 40 years for some district heating system measures.

The carbon saving calculations are based on multiplying the estimated carbon savings, per year per measure, by the assumed lifetime of each measure. Carbon savings are then attributed to the correct CB period, based on the individual installation date of each measure. The methodology for estimating carbon savings is the same as used in Table 1 above and Table 1.15 of the September 2015 detailed ECO statistic report. More details can be found in the following methodology note.

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

Chart 1: Number of Green Deal Plans in unique properties, cumulative totals at end of each month, and by stages



For those who chose Green Deal (GD) finance as a route, there were three stages in the life cycle of a GD Plan. The first stage (a 'new' Plan) is after a customer obtained a quote and confirmed they wished to proceed, the second stage (a 'pending' Plan) is when a Plan had been signed by the customer and progress was being made to install measures, whilst the final stage (a 'live' Plan) is when measures have been installed and the energy supplier has all the information required to bill GD charges.

In total, there were **15,408 GD Plans** in the system in unique properties at the end of August 2015. Of these, 975 were 'new' (quote accepted), another 1,954 were 'pending' (Plan signed) and 12,479 were 'live' (all measures installed), 81 per cent of all Plans. These figures were first published in Table 3 of the September Headline statistics report.

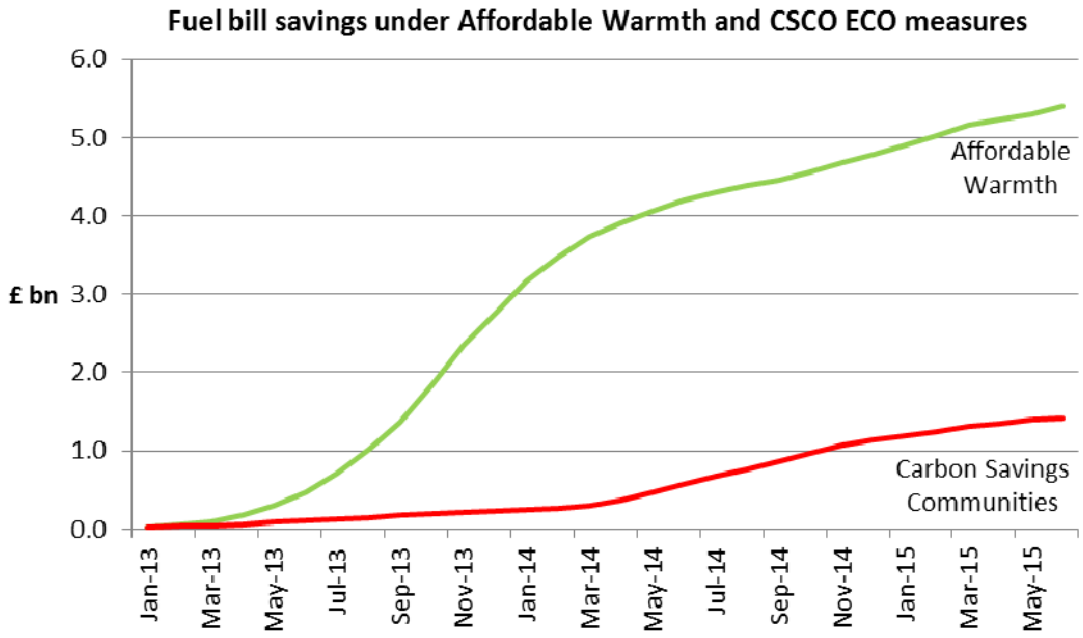
On 23 July 2015 DECC announced that there will be no further public funding to the Green Deal Finance Company (GDFC). This decision has no impact on existing GD Plans in the system, with Plans currently in the system to continue to progress. The announcement was concerned with public financing of GDFC only – the wider market framework remains in place, and should a new finance provider come forward to enter the market, or GDFC obtain further private investment, consumers would be able to choose GD Plans as a route.

Fuel bill savings

It is estimated that ECO measures installed in properties occupied by low income and vulnerable consumers are estimated to achieve **£6.8bn** worth of notional lifetime bill savings. Installing energy efficiency measures in these properties is to support people at greater risk of living in fuel poverty.

456,850 Affordable Warmth ECO measures installed by end of June 2015 will result in an estimated **£5.4bn** worth of notional lifetime bill savings. Based on a preliminary calculation methodology, lifetime bill savings from Carbon Saving Communities (CSCO) ECO measures installed by end of June 2015 are estimated at **£1.4bn**. This calculation uses central IAG gas price projections, includes only SWI, CWI, Loft insulations and boilers (there were 384,200 of these measures under CSCO installed up to the end June 2015). It assumes that all measures are installed in a gas-heated, 3-bed semi-detached home.

Chart 2: Lifetime fuel bill savings under Affordable Warmth and CSCO ECO measures installed up to end of June 2015, by month



Notes

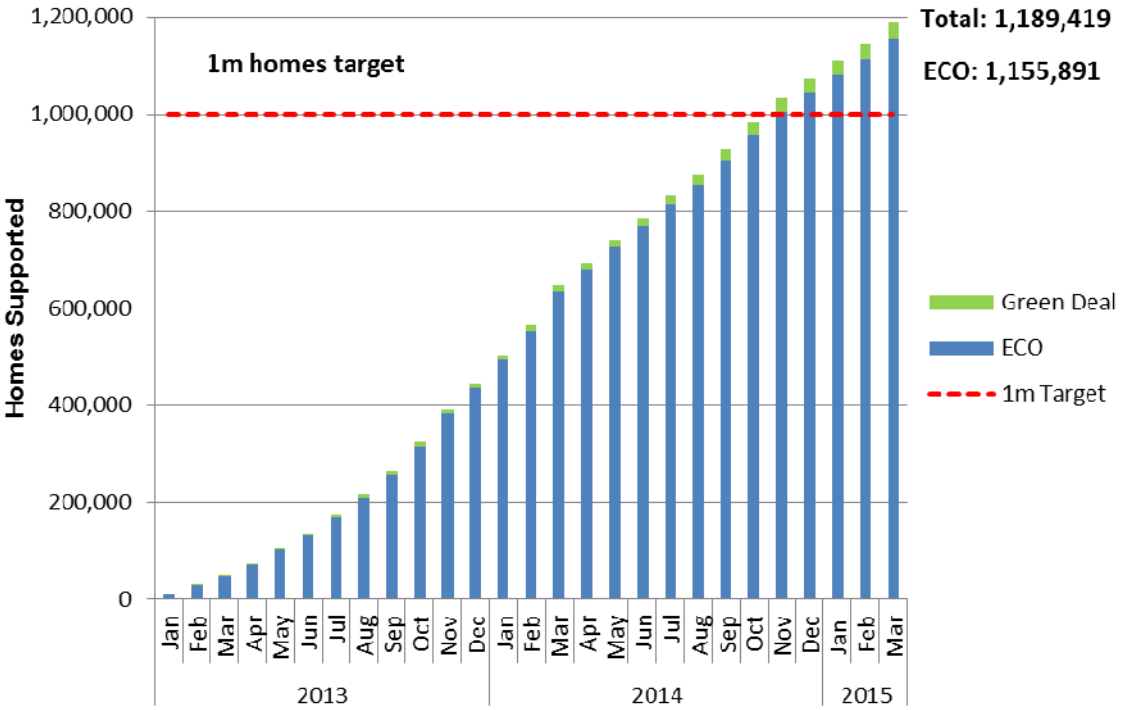
1. Affordable Warmth and Carbon Savings Communities (CSCO) are the two elements of ECO aimed at helping those in fuel poverty and have therefore been used here as the basis for understanding fuel bill savings. For CSCO, carbon savings are converted into bill savings using the energy they save as an approximation of their carbon savings.
2. Energy savings delivered through AW and CSCO cannot be combined because their calculation is different. Unlike the savings delivered through complying with the Affordable Warmth target, the estimated energy savings from CSCO are after in-use factors and before any behavioural changes (comfort taking).

One Million Homes Target

In June 2013, DECC Ministers stated that they would judge the success of the developed policies by the target to have one million homes with energy efficiency measures installed by March 2015, through the ECO and GD Framework.

The one million homes target was achieved by the end of Novemebr 2014 (four months before the target end date). By March 2015 around 1.2 million individual properties had at least one measure installed under ECO and the Green Deal Framework, with the majority (97%) installed under ECO.

Chart 3: Number of homes that had measures installed through Green Deal and ECO, by month of installation



Notes

1. Full details of the methodology of the calculation of the number of individual households that have had measures installed (including which delivery mechanisms are contributing towards the 1 million homes target), please see here.
2. See Table 1a from latest Headline Green Deal and Energy Company Obligation statistics release for the most up to date breakdown of households that have had measures installed. (https://www.gov.uk/government/collections/green-deal-and-energy-company-obligation-eco-statistics#headline-statistics)

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