



Department
of Energy &
Climate Change

Lord Bourne
Parliamentary Under-Secretary of State

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23 July 2015

Dear Martin,

It was good to meet you and Mark Bayley on 16 July 2015 to discuss the Green Deal Finance Company's business plans and your proposal for further financial support from the Government. I'm grateful for the time taken by you, your board and your staff in recent months to discuss your business case with my officials, including the Department's Investment Committee.

This Government is committed to help consumers live in warmer homes for less. The evidence is becoming progressively stronger that energy efficiency measures bring real and practical benefits for householders, not only in terms of lower energy bills over time, but in terms of their comfort, health and well-being. And, of course, more efficient heating and insulation in homes makes an important contribution to carbon reduction targets.

Over the last two years, the Green Deal has become a part of the framework which offers consumers choices in how to improve their homes. The 'pay as you save' mechanism within the Green Deal has been an innovation in its field. The Company has established an infrastructure by which consumers can repay a loan attached to a property and refined the customer journey, reflecting early feedback, even if the level of lending has not matched original aspirations.

In considering whether to increase and extend the finance facility agreed in December 2014, or indeed whether to provide any other forms of financial support, the Government is bound to consider not only whether the set-up phase has been effective, but also whether a further investment is an appropriate use of state resources that can be justified against other priorities. Taxpayers would expect us to take a hard-headed financial assessment, taking into account affordability in the current financial environment and the Government's objectives. After careful consideration, the Secretary of State and I have concluded that the Government should not provide further financial support.

I recognise that this will be disappointing to you and your board. However, at a time when the Government is naturally focused on reducing the budget deficit after the election, and DECC has already identified £70 million of savings in the current financial year, we must make sure that limited public resources are focused on those who need Government support most. Future schemes must support the goal of insulating a million more homes over the next five years and the Government's commitment to tackle fuel poverty.

I'd like to take this opportunity to thank you, your fellow board members and staff for your work on the Green Deal. I understand that, as a board, you will need to consider various options for the Company, including other opportunities for work with the private sector.

We propose to announce our decision not to provide further financial support very shortly. In doing so, we will confirm that we will keep in place aspects of the framework for the Green Deal, at least for now, until we can judge better how they may be needed in future. I am confident that your team will work closely with the Department to ensure that next steps are managed in a professional way, and with investors' and consumers' interests in mind.

Yours sincerely,



LORD BOURNE