

The Green Deal

A summary of the
Government's proposals



FOREWORD

Britain has some of the oldest building stock in Europe. Our draughty homes are poorly insulated, leaking heat and using up energy. As consumers, we pay a high price for inefficient housing – and so does the planet. A quarter of the UK's carbon emissions comes from the energy we use to heat our homes, and a similar amount comes from our businesses, industry and workplaces.



Today we are launching the Green Deal, a revolutionary programme to bring our buildings up to date.

Under the Green Deal, bill payers will be able to get energy efficiency improvements without having to front up the cash. Instead, businesses will provide the capital, getting their money back via the energy bill. At the heart of the offer is a simple rule: estimated savings on bills will always equal or exceed the cost of the work.

It's a flexible framework, one that gives businesses and consumers the opportunity to make the energy efficiency improvements that best suit their situation.

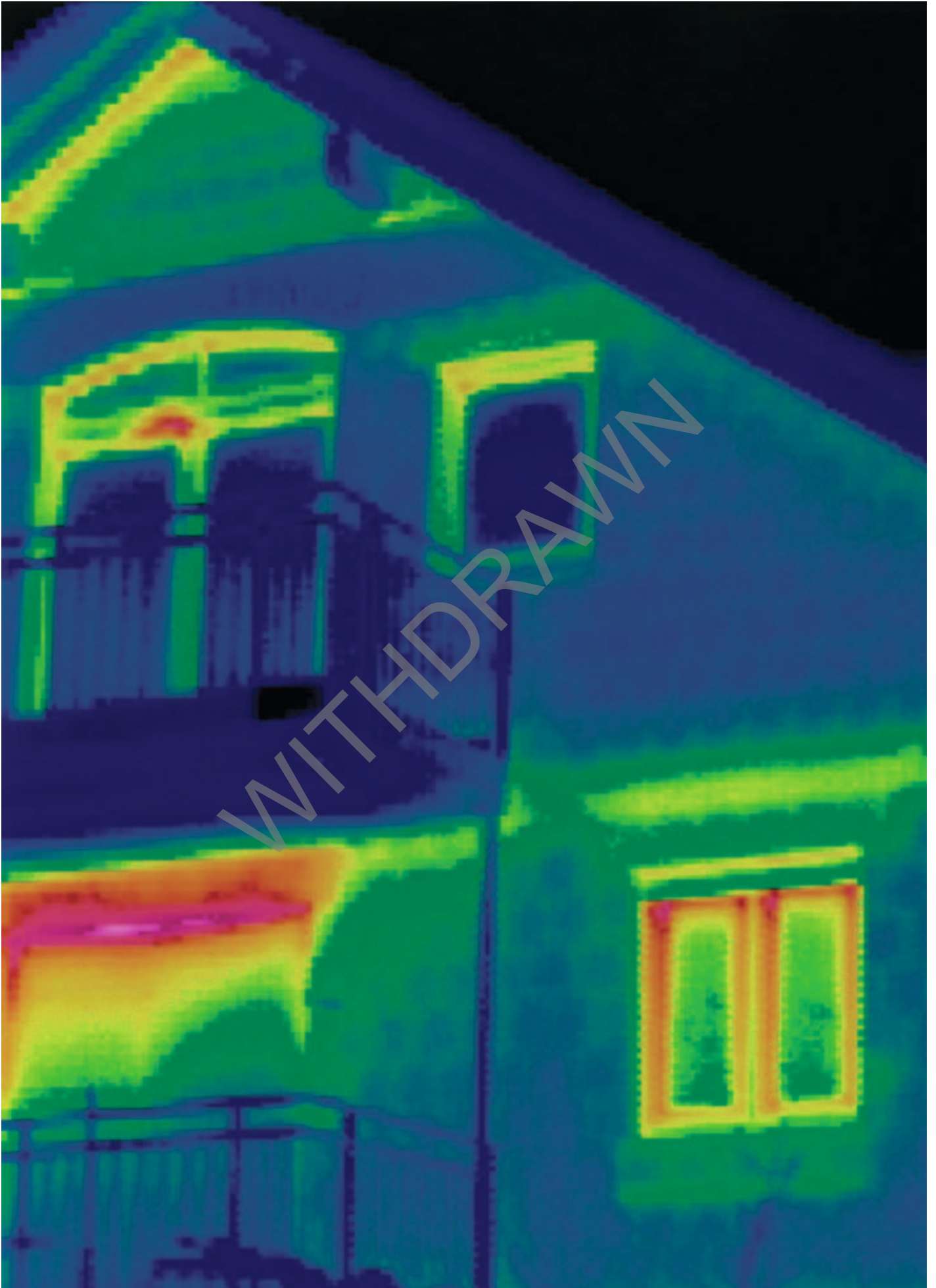
Millions of homes and businesses could benefit from improvements under the Green Deal. Owner-occupiers and tenants will both be able to reap the rewards of better energy efficiency. And there will be extra help for those most in need, such as the vulnerable, those on low incomes and those with homes that are expensive to treat.

The Green Deal also represents a significant opportunity for businesses. Retailers, tradespeople, energy companies and investors will have access to a huge and growing market, with implications for jobs and skills across the supply chain – and across the country, with no regional bias.

We predict that the supply chain could support 100,000 jobs within five years, spread across the United Kingdom. By making our homes and businesses more energy efficient, we can cut our carbon emissions and make real progress toward our 2050 emissions reduction target.

A handwritten signature in black ink, appearing to be 'Chris Huhne', written over a thin horizontal line.

Chris Huhne, Secretary of State of Energy and Climate Change



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1. Executive Summary

1.1 What is the Green Deal?

The Energy Bill includes provision for a new “Green Deal” which we believe will revolutionise the energy efficiency of British properties.

Put simply, the Government is establishing a framework to enable private firms to offer consumers energy efficiency improvements to their homes, community spaces and businesses at no upfront cost, and recoup payments through a charge in instalments on the energy bill.

At the heart of the Government’s proposals is the “Green Deal plan”, an innovative financing mechanism which allows consumers to pay back through their energy bills. This means consumers can see the Green Deal charge alongside the reductions in energy use which generate savings on their bill. It also means that if they move out and cease to be the bill-payer at that property, the financial obligation doesn’t move with them but moves to the next bill payer: the charge is only paid whilst the benefits are enjoyed. In this way, the Green Deal differs from existing lending – it is not a conventional loan since the bill-payer is not liable for the full capital cost of the measures, only the charges due

whilst they are the bill-payer. This is a market mechanism, funded by private capital, which we believe will deliver far more to consumers than any sort of top-down Government programme.

The role of the Green Deal provider is to offer a Green Deal plan to customers, which enables them to finance work recommended by an accredited adviser and undertaken by an accredited installer. These functions might be done in-house by the provider, or shared amongst other organisations, but the customer’s contractual relationship is with provider.

The Government’s proposals are centred on the Green Deal plan but are also more ambitious. For example, we are looking at how best to use the accredited, objective advice which is required in advance of the plan to give consumers a wider range of information about steps they can take to improve the sustainability of their homes, such as water efficiency.

There are a number of important consumer protections which will be embedded into the Green Deal which are detailed in this document. These include the following prerequisites for all Green Deal plans:

1. **The expected financial savings must be equal to or greater than the costs attached to the energy bill**, known as “the golden rule” of the Green Deal.
2. The **measures must be approved** and the claimed bill savings must be those accredited through this process.
3. The measures installed must have been recommended for that property by an **accredited, objective adviser** who has carried out an assessment.
4. The measures must be installed by an **accredited installer**.
5. For householders, the Green Deal provider must give appropriate advice within the terms of the **Consumer Credit Act** and take account of the individual circumstances of the applicant.



6. The Green Deal provider must have **consent** from the relevant parties, including the express consent of the current energy bill-payer.
7. The presence of a Green Deal must be **properly disclosed to subsequent bill-payers (e.g. new owners or tenants)** alongside energy performance information.
8. Energy suppliers must collect the Green Deal charge and pass it on within the **existing regulatory safeguards** for collecting energy bill payments – including protections for vulnerable consumers.

To qualify for the Green Deal, expected savings in typical properties consuming a normal amount of energy must be equal to or greater than the cost of the measure. However, actual cash savings cannot be guaranteed by government since no-one except individuals and businesses themselves can control how much energy they actually consume in their own property. Whilst the consumer has ultimate responsibility for reducing consumption after the Green Deal measures have

been installed, we will give energy users advice on how to change behaviour to maximise the benefits of better insulated, less wasteful properties.

Not every household will be able to save on their energy bills by taking up a Green Deal plan, so there will be additional help for those who need it most. Lower income and vulnerable households may not save money through energy efficiency because many do not have the heating turned on long enough to heat their homes sufficiently, so increased efficiency may mean they will enjoy warmer homes rather than cash savings. Likewise, homes which can only be made energy efficient through major measures which are currently more expensive will need additional support to bring down costs enough to meet the golden rule. Alongside the Green Deal, the Government is planning to replace the existing energy company obligations. The new Energy Company Obligation (ECO) will focus energy companies on improving the ability of the vulnerable and those on lower incomes to heat their homes affordably, and on improving solid wall properties, which have not benefitted much from previous schemes.

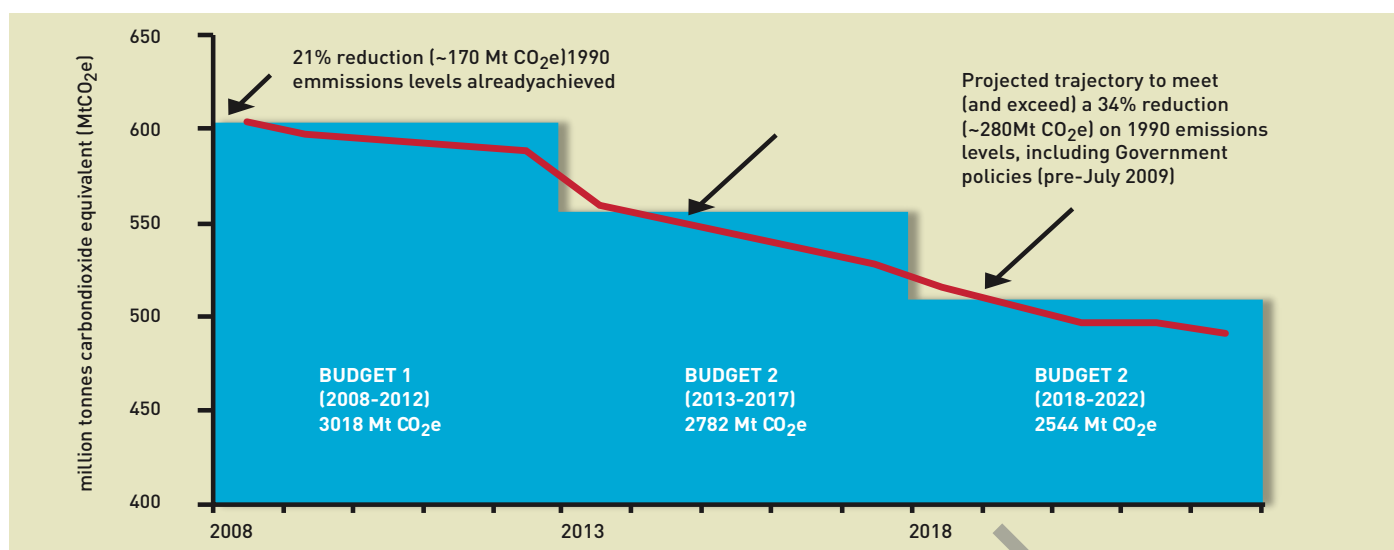


We are designing the Green Deal with the aim of making it available for businesses as well as households – enabling smaller businesses to access funding for energy efficiency improvements, and larger businesses to meet their obligations under existing schemes at lower cost, such as Climate Change Agreements or the Carbon Reduction Commitment Energy Efficiency Scheme. The complexity of energy use in the business sector means that there will be a number of differences in the Green Deal for this sector, though the key principles set out here will apply to both businesses and households.

1.2 Why is the Green Deal needed?

At a local level, the Green Deal will enable many households and businesses to improve the energy efficiency of their properties without consuming so much energy and wasting so much money. At a national level, the UK needs to become more energy efficient to reduce its

Box 1: Carbon Budgets: the challenge to reduce UK emissions



greenhouse gas emissions which risk dangerous climate change.

The Climate Change Act 2008 legislated for a reduction in our carbon emissions, compared to 1990, of 34% by 2020 and on our way to 80% by 2050. It set legally-binding carbon budgets for our country for the next 12 years across all sectors of the UK economy - including our homes and communities, and our workplaces.

Reducing demand for energy through eliminating waste cost effectively is one of the best ways to reduce emissions. Three quarters of the energy we use in our homes is for heating our rooms and water, most of which comes from gas-fired boilers. Together this accounts for 13% of the UK's CO₂e emissions while our workplaces are responsible for 20%. To help meet the carbon budgets we need to cut emissions in our homes and communities by 29% and by 13% in our workplaces by 2022 (on 2008 levels). To do this we need to make our homes, communities and workplaces more energy efficient, and heat and power them from low carbon sources. Support through the Green Deal for implementing energy efficiency measures will play a key role here.

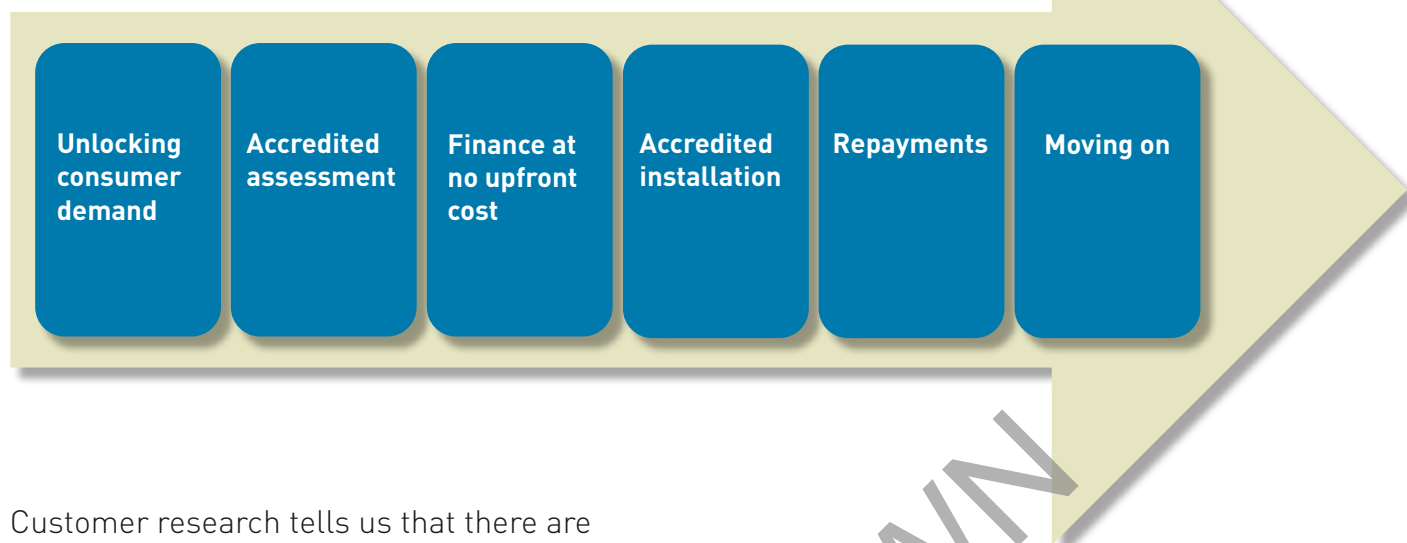
The Green Deal will deliver energy saving packages to millions of homes and businesses across the country. Consequently the scheme provides opportunities for skilled and unskilled labour; from assessment to installation, manufacturing to supply, over the length and

breadth of Britain, for many years to come. By ensuring a high uptake of energy efficiency measures in households and business, the national demand for imported gas could be reduced considerably. With more than a third of our gas currently imported and UK gas production on a downward trend, the net result could be a saving on imports at a national level.

Box 2: The development of the Green Deal Legislation

December 2010	Introduction of the Energy Bill to Parliament
Pre-Autumn 2011	Officials engage stakeholders as they develop the technical details for secondary legislation
Autumn 2011	Formal consultation on secondary legislation
Early 2012	Secondary legislation laid before Parliament
Spring 2012	Detailed industry guidance prepared
Autumn 2012	First Green Deals appear.

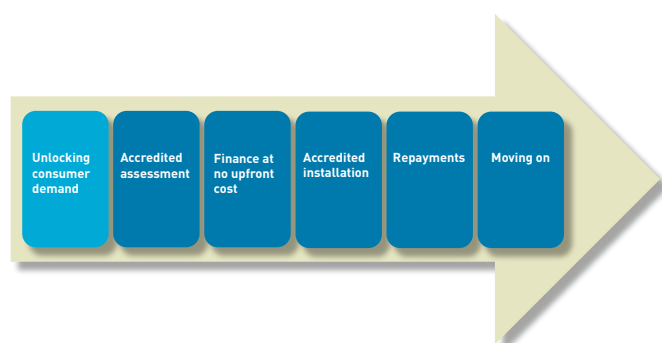
2. The Green Deal Customer Journey



Customer research tells us that there are currently a number of practical barriers to installing energy efficiency measures, including the upfront cost of measures, the length of time required for measures to pay back in savings and the 'hassle' involved in planning and carrying out work. In addition, there is currently a widespread lack of awareness of the benefits of improving the energy efficiency of our homes and commercial buildings. Many people have never thought about insulating their home or business, or are unaware of the options available to them, or are even uncertain about what measures are already installed in their property.

Building on our knowledge of the barriers, the Green Deal is structured around consumer and business needs, because this will ensure widespread uptake and corresponding provision by the business and finance sectors.

2.1 Unlocking consumer demand



2.1.1 Promoting the Green Deal

The Green Deal offer removes many of the barriers faced by householders and businesses wishing to install energy efficiency measures. By making investments possible at no upfront cost (repaid through energy bills), it increases the incentive for owner-occupiers, tenants and landlords to take action. Furthermore, the robust accreditation processes we are proposing should increase confidence in the market. In this context, we anticipate that the involvement of a diverse market of local and national firms of all sizes with their strong customer insight will find interested customers more effectively than any top-down Government scheme. We expect this to boost demand for energy efficiency and consequently boost the skills and supply chains of the sellers.

An individual could be alerted to the Green Deal offer by a variety of organisations. For example, it could be their local builder, a home improvement store, a supermarket, their local council, their estate agent, their landlord, a local community group, a small energy efficiency installer, or their energy company. It will be these organisations known and trusted by the consumer for delivering their particular service which will lead the promotion of the Green Deal.

It might be because a customer approached any of these organisations as part of broader work on their property, or alternatively the organisations might approach them to make them aware of the Green Deal opportunity. To assist Green Deal providers in marketing their services to potential customers, we are proposing to make freely available the details of the 5.5 million properties that currently have an Energy Performance Certificate (EPC) together with information about the energy efficiency of the property and recommended improvements.

We will also work with energy companies to encourage a voluntary approach to providing generic information at key decision points, such as moving into a new home or building, in order to ensure that customers are aware of the Green Deal opportunity and how it works.

2.1.2 Advice

High quality, standardised, trusted advice on energy efficiency is essential to the success of the Green Deal. There is a role for both an energy assessment of the property and potentially for Government support for the Green Deal through a telephone and online service for consumers and organisations.

2.1.3 Other incentives to drive action: the Private Rented Sector

For the Green Deal to achieve a complete transformation of British properties, it cannot be limited to owner-occupiers, it needs to be for renters too. The Green Deal offer of no upfront costs for energy efficiency measures will therefore be available to landlords, both domestic and commercial. We expect that landlords will respond positively to this opportunity of their own accord. However, the Energy Bill proposes powers for the Secretary of State to regulate in the future to require that they make such improvements.

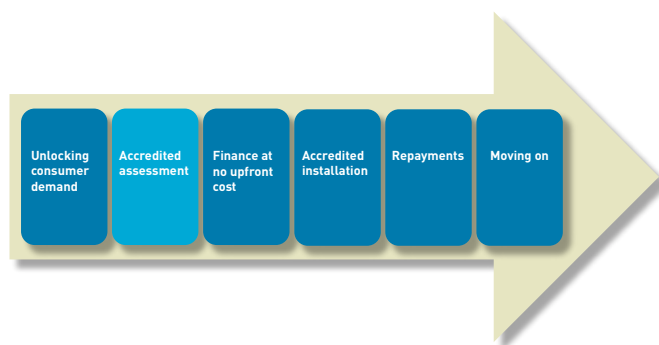
It is important that the sector has the opportunity to make voluntary improvements first, and that regulation is only deployed if necessary to improve the energy efficiency of private rented properties, and without negative impact on supply. Therefore, these powers

would only be enacted subject to the outcome of a review ahead of secondary legislation. The earliest date regulations could come into force is April 2015.

In the domestic sector, we are proposing powers to require landlords to honour reasonable requests from their tenants for energy efficiency improvements, where financial support is available so there are no upfront costs to the landlord. We also intend to enable local authorities to insist landlords of the worst performing properties make all energy efficiency improvements for which there is financial support available, such as Green Deal or ECO. Our intention is that this local authority action would be focussed on landlords owning properties with an EPC rating of F or G.

In the commercial sector, we are taking a similar approach, but with some adjustments given its different characteristics. In particular, the rented sector constitutes the majority of commercial properties and covers a very diverse range. Therefore, the administrative burden needs to be as light and flexible as possible. We are proposing powers to require landlords to bring their property up to a defined threshold before it can be rented out again, subject to there being no up-front financial cost to landlords (using Green Deal finance or equivalent). Commercial rented properties change hands relatively frequently, and so this condition would catch most properties. Landlords with the worst performing properties would have to complete a Green Deal assessment and then implement a sufficient number of the cost-effective improvements identified to bring the energy performance of the property up to the threshold. If insufficient cost-effective improvements were found, the landlord would still have to implement all of them but would not be required to meet the minimum standard.

2.2 Accredited assessment



2.2.1 Property Assessment

One of the prerequisites for a Green Deal plan will be for the consumer to have a property assessment by an accredited adviser. We are working with industry and accreditation bodies to ensure the assessment is robust, delivered to agreed standards by qualified advisers and backed up quality assurance and compliance mechanisms.

The adviser would visit to assess the energy performance of the property and advise on the relevant opportunities for energy efficiency improvements. They might also make recommendations on energy-saving behaviour.



For households, there already exists a strong base for such an assessment through the EPC, which we are currently reviewing, and we will look at how an improved EPC might be used to support the Green Deal. We are also reviewing options for an assessment of commercial buildings, including the corresponding EPC.

2.2.2 Recommending measures

Advisers will draw from a list of measures which have been approved for the Green Deal. The Secretary of State will stipulate in secondary legislation the criteria a measure must meet to be eligible for Green Deal finance. A corresponding list of products, materials and specification standards will be contained in a publicly available Code of Practice and updated regularly to enable a dynamic market in technological improvement. The products will be those with the potential to improve energy efficiency in a property. The assessment will confirm whether they are suitable for property in question.

It is possible that an adviser might be affiliated to a Green Deal provider and we are working with industry to assess the impacts of this. In such a case the adviser would be required by the Code of Practice to state clearly the difference between standardised advice and a sales offer.

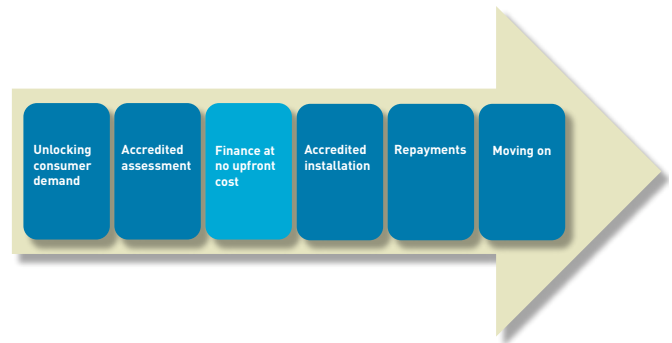
The Green Deal is focused on energy efficiency measures which meet the golden rule, that is, the expected financial savings must be greater than the costs attached to the energy bill. We intend that Green Deal finance could extend to other low carbon energy technologies in future, such as microgeneration and combined heat and power technologies, should they meet the golden rule. Initially, we expect such measures to be funded through alternative finance mechanisms that are already in place or under development, such as the Renewable Heat Incentive or Feed-In Tariffs. As this is not Green Deal finance, the energy bill repayment mechanism would not be used. However, aspects of the broader Green Deal framework, such as the in-property assessment, are likely to extend to cover microgeneration technologies.

Box 4: Codes of Practice

Codes of Practice, provided for in the Bill, will specify certain criteria that advisers, Green Deal providers and installers have to meet in order to operate under the Green Deal. This will help ensure that customers of the Green Deal receive a standardised service so that they clearly understand the difference between, for example, advice on the range of measures suitable for a property and actual offers for Green Deal plans. Specific criteria may vary depending on the type of participant, but broad elements will apply across the board, and will include the following:

- Appropriate levels of qualification and training, in order to ensure that those carrying out work – be it an energy adviser or an insulation installer – have demonstrated the necessary competence to do that job properly.
- Rules relating to the marketing of the Green Deal, to ensure that customers are not subject to unfair or misleading selling practices.
- A process for handling customer queries and complaints, which the Green Deal participant will be expected to resolve directly where possible, before elevating to an independent body for resolution where necessary.
- Requirements for the provision of insurance backed warranties to cover the work carried out, so that the consumer is covered in any case where faults with advice or installation of measures emerge.

2.3 Financing the Green Deal at no upfront cost



Consumers will be free to finance work as they wish, and some people may opt to pay for the work upfront, in whole or in part. But, uniquely, the Green Deal offers the opportunity to repay through energy bills, spreading the cost and enabling the obligation to repay to be passed on to future occupiers.

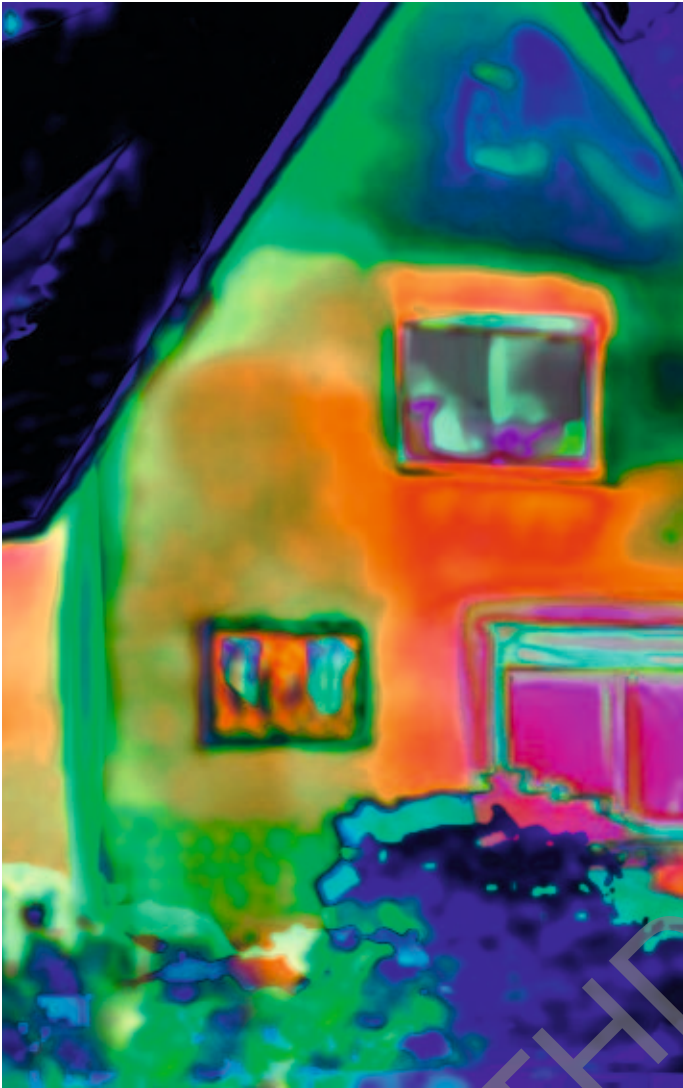
There will be considerable consumer protections built into the framework – this is to protect both the initial occupier and those who follow.

2.3.1 Consumer protections

2.3.1.1 The Golden Rule

The key principle, or golden rule, for accessing Green Deal finance is that the charge attached to the bill should not exceed the expected savings, and the length of the payment period should not exceed the expected lifetime of the measures. This is not a government guarantee, but a guideline for customers that, typically, they should be able to expect to gain more efficient, less wasteful properties with no additional net cost from the Green Deal.





The Green Deal provider would consider the package of measures and make an offer which stipulates the total cost, the charge to be attached to the energy meter, and the length of the repayment period. This should be in line with the objective recommendations provided by the qualified Green Deal adviser, and only approved measures installed by qualified Green Deal installers will be eligible for finance attached to the energy meter in this way.

2.3.1.2 Consent

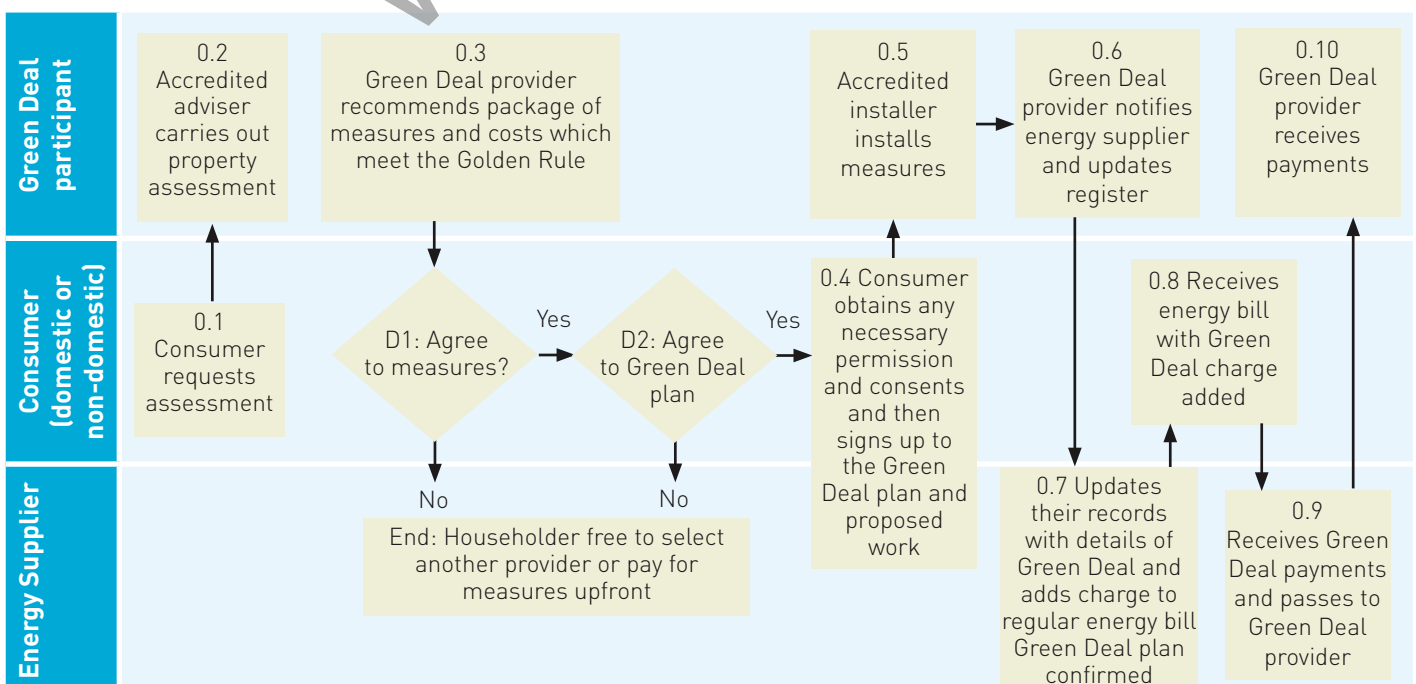
Both owners and occupiers of a property will be able to take out a Green Deal, however they will need to obtain consent from all relevant parties that have an interest in the property (this may include the freeholder) ahead of any measures being installed. In cases where the applicant and the energy bill payer are different, the express consent of the current energy bill payer will be required. In the case of rented properties the tenant would need to obtain the express written consent of the building owner before proceeding with the Green Deal plan.

2.3.1.3 Consumer Credit Act

Whilst not a loan, A Green Deal plan attached to the energy meter at a property which has been entered into by an individual or small

Box 6: Green Deal Plan

The diagram below illustrates how the Green Deal assessment and installation is carried out and at what point it becomes a Green Deal plan.



business is likely to count as a fixed-term credit arrangement, and therefore fall under the protection of the Consumer Credit Act (CCA) 1974. This means that Green Deal providers will need to gain a Consumer Credit Licence from the Office of Fair Trading before they can operate, and will therefore be regulated in their activities. They will need to comply with guidance on offering credit responsibly, and ensure the payments are affordable for customers. We will publish guidance agreed with OFT on how Green Deal providers can meet their CCA requirements. The Consumer Credit Act will be amended to ensure it applies appropriately in the context of the Green Deal.

Normally, companies collecting credit payments also require a Consumer Credit Licence. In the case of Green Deal plans, the payments will always be collected by energy suppliers. Since energy suppliers are already licensed and regulated by Ofgem, they will be exempt from the requirement to have a Consumer Credit Licence. Ofgem will regulate the collection of Green Deal payments in the same way as they regulate the collection of energy bill payments by suppliers. This exemption is limited to suppliers' collection activities. If an energy company chose to become a Green Deal provider, it would need to apply for a licence from the Office of Fair Trading (OFT) just like any other company. In order to ensure Green Deal customers are still appropriately protected, we will look at whether changes are required to how suppliers collect payments to provide equivalent protections. These changes are likely to be made by modifying energy supply licences.

The Consumer Credit Act requires creditors to provide certain information, both at regular intervals (e.g. annual statements) and upon request (e.g. ad hoc requests for statements). In the case of the Green Deal it may make sense for some of these requirements to be fulfilled by someone other than the creditor, because the Green Deal provider may not have the most up-to-date information on the payments that have been made. We have made provision in the Bill to allow for this.

Customers will be able to repay the Green Deal early, in part or in full at any time. Given the exceptionally long length of many Green Deals, the early repayment provisions in the Consumer Credit Directive (on which the Consumer Credit Act is based) will allow Green Deal providers to be reimbursed for any losses incurred as a result of someone repaying early as long as these are fair, and objectively justified, and do not exceed the limits set out in the Directive.

Usually the CCA would also apply to business credit which does not exceed £25,000 and is provided to individuals (including sole traders, small partnerships and unincorporated bodies). The effect of this is that Green Deal providers offering products to the commercial sector would have to comply with the CCA requirements for some of their business Green Deal customers, the smaller ones, but not others. This would segment the commercial market, increasing administrative burdens on providers and customers and complicating the application process, which could act as a barrier to entry. Our objective is to enable as large, diverse and competitive market as possible. We have therefore proposed an exemption from the CCA for all Green Deals offered to business customers including sole traders, small partnerships and other unincorporated groups of people who are acting wholly in the course of their trade, business or profession.

2.3.1.4 Protecting vulnerable consumers when they are unable to repay

Consumers who default on Green Deal payments will be treated in the same way as consumers who default on their energy bills. This means that legislation will be amended to permit in extremis disconnection of consumers for unpaid Green Deal charges as with unpaid electricity or gas bills. It also means that suppliers' licences will be amended so that the protection Ofgem offers to vulnerable consumers in general will be extended to those making Green Deal payments. Suppliers are prohibited from disconnecting households in the winter months (October-March) where they know, or have reason to believe, the consumer is a pensioner or lives with other pensioners or those under 18. Further steps



must also be taken to avoid disconnection in winter months for occupants who are of pensionable age, disabled or chronically ill. Disconnection of domestic premises must not take place unless a supplier has taken all the reasonable steps to recover the charges including through prepayment meters. Suppliers also have obligations around considering the needs of consumers who may be experiencing difficulty with paying their energy bills. The 'Big Six' energy suppliers (British Gas, Scottish & Southern, ScottishPower, EDF, Npower and E.ON) have developed their own 'Safety Net' procedure for additional protection to vulnerable consumers, including the commitment never knowingly to disconnect a vulnerable consumer at any time of the year.

The Green Deal will include provision in regulations for special circumstances such as substantial renovation of the property, change of use, demolition or compulsory purchase orders. There will also be a provision in case the energy supplier or the Green Deal provider enters liquidation. These scenarios involve a number of technical issues which we are already taking forward with stakeholders, and we will be consulting more widely over the next year before laying them before Parliament in secondary legislation.

2.3.1.5 Financial terms

We expect that a range of financial institutions and High Street names will be involved in offering Green Deal finance. Each enterprise is likely to offer a slightly different package and the consumer will be able to choose the package which best meets their needs. There will, however, be specific financial terms stipulated in primary and secondary legislation which will need to be adhered to. These include the requirement that payments are to be paid for in instalments and the bill payer is only liable to make Green Deal payments whilst they are liable to pay the energy bill at the property. In order for a plan to qualify as a Green Deal plan, the principle that costs attached at the outset should not be greater than the expected savings will have to be met. Therefore certain financial terms such as payment structure and interest rates will need to be regulated to ensure this principle is expected to hold true over the longer term. The detail will be developed in conjunction with stakeholders such as banks, the investor community and consumer and business groups to ensure we reach the right balance of protecting the consumer and ensuring finance is available.

It is also important to protect consumers to ensure any benefits offered to the initial recipient do not translate into an excessive burden for later recipients. For this reason, we will prohibit the payment of any money to

the occupier or owner who signs up to the Green Deal arrangement, except as expressly permitted in the framework regulations. Notwithstanding, we need to allow sufficient scope for Green Deal providers to encourage take-up and we will consult widely on this. There will also be clear regulations relating to the length of the payment period compared with the expected lifetime of the measures.

2.3.2 Extra help where it is needed: a new Energy Company Obligation (ECO)

Green Deal finance will not be the only source of support for energy efficiency measures in homes. At the moment, the Government's principal tools for driving uptake are the energy company obligations Carbon Emissions Reductions Target (CERT) and Community Energy Saving Programme (CESP). The Government has committed to replacing these programmes when they expire at the end of 2012 with a new Energy Company Obligation. The obligation will be restructured to bring it up to date and enable it to function alongside the Green Deal finance market.

The ECO will be focused on those households who need support over and above the Green Deal so that everyone can share in the British energy efficiency transformation. Importantly, it will provide measures which help the most vulnerable low income households, who tend to under-heat their homes, to heat their properties adequately and more affordably. It will also offer support to the expensive to treat properties, such as those with solid walls. The additional ECO support will be able to be combined with Green Deal finance as one package for consumers.

Legal powers will exist which enable Government to incentivise energy companies to channel part of their spending towards joint offers (ECO support plus Green Deal finance). However, we expect there to be many natural incentives in place to encourage this approach. We would only use these powers following a review which showed that the companies' behaviour was leading to consumers losing out, and that using the powers would increase the overall cost-effectiveness of the ECO in achieving carbon savings.

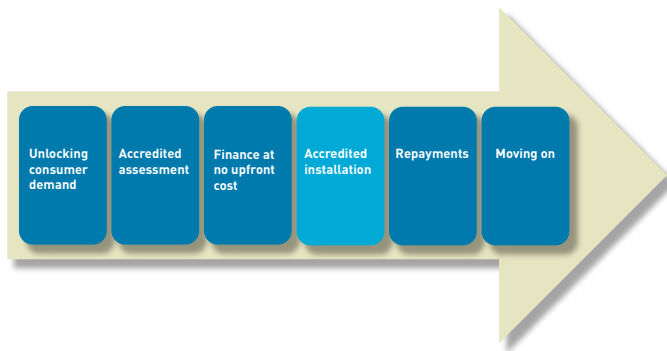
Box 7: Low cost finance

The advantage of the Green Deal is that it enables consumers to fund energy efficiency improvements from the value of savings generated throughout the payback period. Because some payback periods may last several years after the investment, consumers will need to pay interest on this money. The golden rule must hold for the total cost of the work (including the measures, labour costs and financing costs) so keeping financing costs to the absolute minimum will be fundamental to the Green Deal's success.

The ability to repay through energy bills is critical to sourcing low-cost finance. Consumers have a relatively low likelihood of defaulting on their energy bills compared to unsecured personal loans or other traditional sources of financing; this means the eventual cost of finance should be lower under the Green Deal than many standard retail finance offers, which cost around 11% even for an average consumer, and considerably more for many consumers. [Source: Bank of England, average of quoted effective annual interest rates for £10,000 personal unsecured loan 1st Jan – 31st Oct 2010 10.7%]. This will also be true for many smaller firms whose cost of corporate borrowing is high. Moreover, the Green Deal is not secured on the property so this is not at risk if repayments are not met. To achieve this lower cost of finance without securing the payments to the property, it is imperative that the Green Deal charge is treated in exactly the same way as any other part of the energy bill.

And, of course, one key advantage with Green Deal is that the consumer is able to stop paying once they move out and cease to be the bill-payer at the address – unlike personal loans which borrowers have to keep repaying even if they are no longer enjoying the benefits. The Government is in discussions with banks and the investor community regarding the best means of ensuring Green Deal providers can access affordable capital.

2.4 Accredited installation



Once finance for measures has been approved, installation is the next step. The Green Deal is designed to provide trusted, accredited installation of energy efficiency measures to households and businesses. Certification of installers is an essential element of this, as work will be undertaken by a range of tradespeople. The standards and certification framework will ensure that all work is completed to a recognised standard and that consumers can expect the same level of customer care and protection regardless of the installer. The framework is also likely to ensure a consistent approach to:

- Product and material certification
- Codes of Practice covering complaints and customer redress
- Warranties covering materials and installation.

Box 8: Official quality mark

The Green Deal quality mark will protect consumers from rogue traders falsely claiming to offer a Government approved service to consumers. Any Green Deal adviser or installer will have to display this mark to demonstrate that they comply with the relevant requirements. The mark will not be a marketing brand logo and is not designed to promote Green Deal or convey its properties or values to consumers; instead it would simply be an emblem displayed by certified bodies in the supply chain. This would play a similar role to existing marks such as Gas Safe and Trustmark.

Certified installers will be backed by an official quality mark, designed to allow consumers easily to identify Green Deal service providers.

We will work to ensure that the certification scheme criteria are rigorous but achievable, and represent the correct balance between consumer protection and cost to industry. The framework could be based on recognising some existing certification bodies, or could be entirely new. Whichever route is chosen we will aim to build on existing standards where appropriate, ensuring that good quality installers are not dissuaded from seeking Green Deal certification because of excessive cost or bureaucracy.

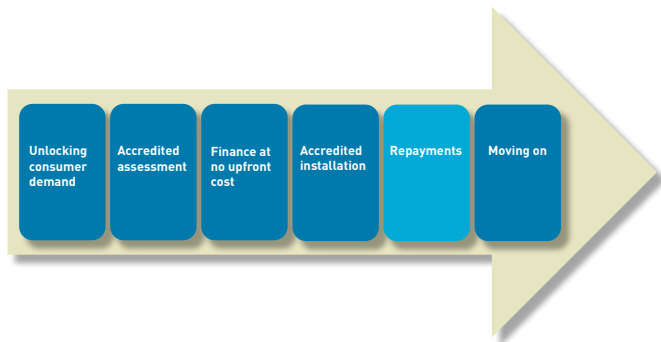
Box 9: Skills and the supply chain

The Green Deal will drive an increase in the number of energy efficiency installations in homes and businesses. This will require supply chains to be in place to manufacture, specify, and install solutions to accredited standards.

DECC is engaging with stakeholders across the supply chain on a number of these technologies. There is potential to boost sales, representing a real growth opportunity for many large and small businesses along the supply chain. By building on a range of existing training and accreditation schemes, the scheme will provide assurance that vendors, specifiers and installers have the right skills without creating an unnecessary burden on the industry.

As sales increase the industry will require more skilled people to keep up with the demand. We will work with the supply chain and other government departments to ensure the appropriate measures are in place to meet this demand for a skilled labour force and make the most out of the employment potential of the Green Deal.

2.5 Repayments through energy bills

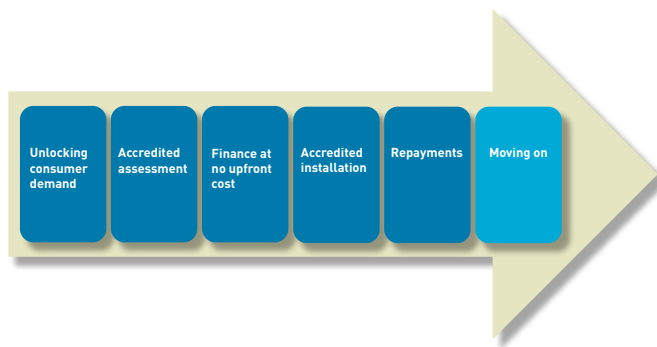


One of the key features of the Green Deal is that the consumer repayments come through a charge on the energy bill. It is important that the Green Deal charge can be recouped in the same way as any other part of the energy bill to ensure simplicity for the customer, and so that finance providers have the confidence to provide the upfront capital, secure in the knowledge that

they will receive payments via energy suppliers. When the Green Deal installer has completed the work, they will inform the Green Deal provider (if it is a separate organisation) who will arrange for details about the Green Deal to be included in an updated EPC or other appropriate document and lodged on the EPC or equivalent database. The Green Deal provider would also pass the relevant details to the customer's energy supplier. Following verification by the energy supplier, which would give the customer the right to query any details, the Green Deal charge would appear on the next energy bill received by the customer. Customers with a Green Deal charge on the energy bill will still be able to switch energy suppliers. At the end of the repayment period, the Green Deal charge will automatically be removed from future energy bills.



2.6 Moving on: Disclosure



Subsequent occupiers of buildings with Green Deal measures will continue to benefit from the energy bill savings. To pay for the investment that enabled these energy savings, and for the Green Deal finance model to work, the liability to pay the Green Deal instalments needs to transfer automatically to subsequent occupiers. For this to happen, the new occupier responsible for the energy bills of the building needs to be aware of their liability to pay these instalments before they move in. Therefore the owner must disclose details about any Green Deal plans on their buildings before they sell them or rent them out. 'Renting' can be through a variety of mechanisms in both the residential and commercial sector, like the granting of a long term lease or a shorter term tenancy and the grant of a licence to occupy. This obligation will also apply where a tenant is renting out a property to a sub-tenant or granting a licence to occupy.

The details to be disclosed will be set out in Green Deal regulations, but the intention is that the primary vehicle for disclosure will be the EPC or equivalent. Once the energy saving work has been completed, the document will have been amended to include key information about the Green Deal plan. This information may need to be updated by the Green Deal provider at specified times to be set out in regulations. The Bill also requires those selling or renting out a property to ensure that the relevant contract includes an acknowledgement by the buyer, tenant or licensee that the Green Deal plan is binding on the bill payer at the property.

This route for disclosure of the Green Deal will protect businesses and consumers and ensure



they do not take on liability to pay the Green Deal charge without being fully informed about it first. Before the launch of the Green Deal in 2012, we will work with the Law Society and others to ensure these routes for disclosure and acknowledgement will work effectively to give consumers and businesses confidence in the Green Deal without imposing undue burdens on commercial or residential property transactions.

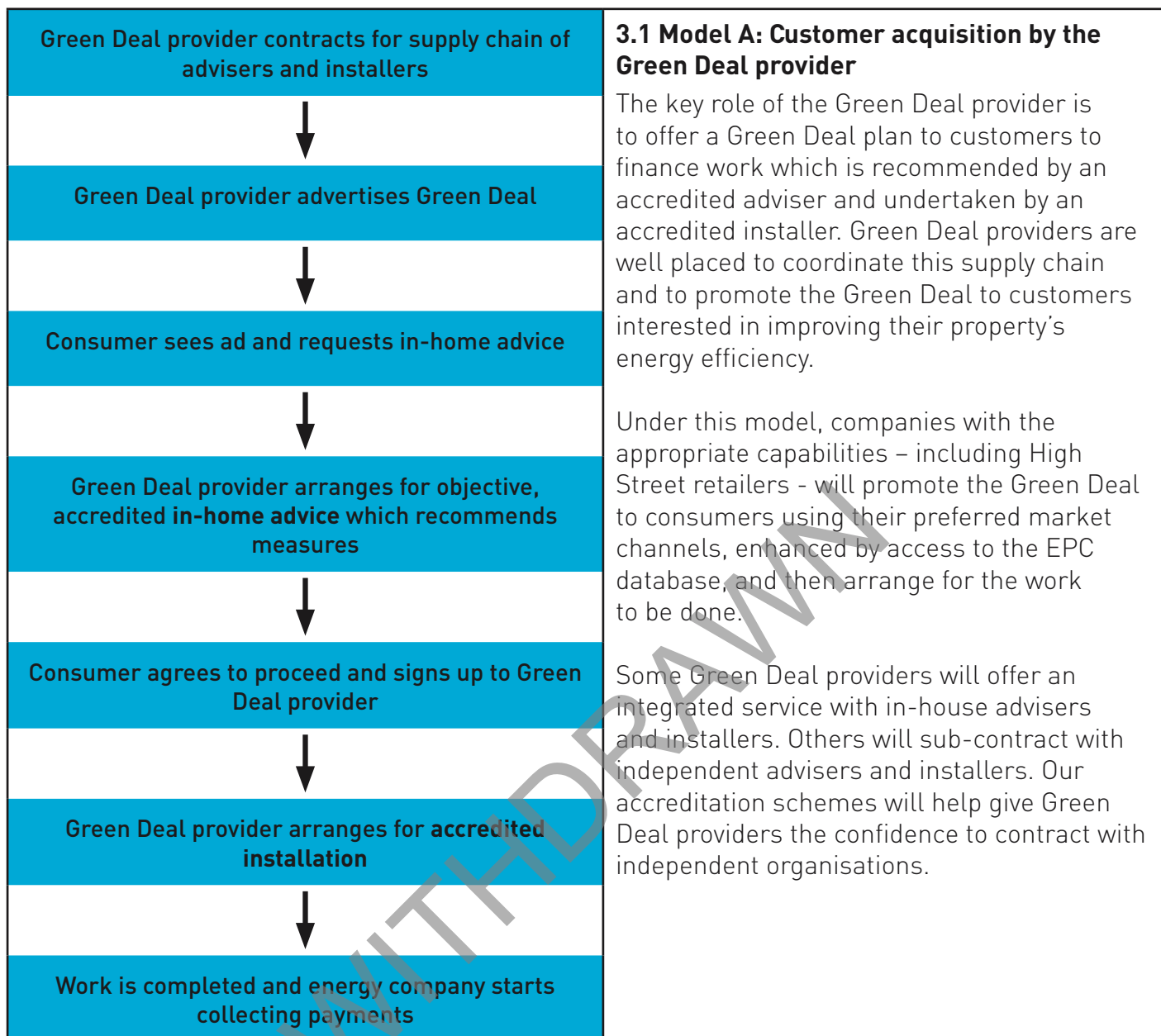
3. Access to the Green Deal for Small and Medium Enterprises: a flexible framework

If the Green Deal is to serve homeowners and businesses well, it is essential that there is a competitive market for Green Deal delivery, which enables new market entrants and is backed by regulation to ensure quality delivery without creating an unmanageable burden. The Government is committed to ensuring competition in all three customer-facing roles in the value chain: advisers, installers, and providers. We have been encouraged by the variety of organisations interested in providing one or more of these services. These include

energy companies, High Street retailers, small energy efficiency companies, home improvement companies, builders' merchants, housing associations and local authorities, to name but a few. Some firms will want to offer all the services themselves; others will want to focus more narrowly on one service and partner with other specialist firms; and there will be differences between those providing to the household and commercial sectors. The framework is intentionally flexible to enable multiple business models to compete.

However, the Green Deal will only be a success if firms are able to capitalise on consumer interest at key trigger points – such as when they are undertaking other work in the house. One of the key flexibilities in the Green Deal framework is that it enables customer acquisition to be undertaken either by the Green Deal provider or by an independent installer.





3.2 Model B: Customer acquisition by the installer

We know many households and firms do not think about making energy efficiency improvement and, when they do, are put off by any disruption. These people may not be reached by marketing energy efficiency directly.

However, everyone needs to call in a plumber or builder from time to time. These households and businesses are likely to listen to a recommendation from a trusted tradesman or contractor – for example, when the boiler breaks down, many people are prepared to act on the advice of boiler fitters, including advice on installing a more efficient boiler.

Since the installer already needs to cause some disruption, this is also a good opportunity for independent installers to offer a range of Green Deal services.

However, smaller firms may not have the same access to capital market funding as large firms, due to lacking the same funding trading record or back-office capabilities. Therefore, independent advisers and installers may need to partner with larger firms who can supply finance for the Green Deal plan. Alternatively, smaller providers will still be free to offer traditional forms of finance such as upfront payment or personal loans. Although this is not a Green Deal plan, consumers would still benefit from accredited advice and installation.

The Green Deal framework is flexible enough to enable installers to play this lead role, if large firms in their industry – such as builders' merchants or specialist retailers – are prepared to become "umbrella" Green Deal providers. We will work with the industry to help them develop this model.

Independent installer gains accreditation as both an installer and adviser



"Umbrella Green Deal provider" contracts to provide Green Deal finance to customers of accredited independent installer-adviser



Customer contacts installer for unrelated reason (e.g. boiler breaks)



Installer promotes the Green Deal to consumer



Installer provides objective, accredited independent advice



Customer agrees to proceed and signs up to Green Deal plan with Green Deal provider



Installer proceeds with work



Work is completed and energy company starts collecting payments

Ultimately the Green Deal is a market framework which offers considerable flexibility for a range of business models to compete. We will work with the relevant stakeholders to encourage a diverse range of business models – including those sketched out above – to enter the market in 2012.



Department of Energy and Climate Change

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