

Briefing 14/04 February 2014

Changes to ECO and Green Deal

To: all contacts

Key issues

-Changes to Energy Companies Obligation
-Changes to resources available for schemes for local authorities and householders
Significant implications for local authorities and a need for them to re-assess their investment plans
APSE has written to the Secretary of State for Energy and Climate Change

1 Introduction

On December 4th 2012 the Electricity and Gas (Energy Companies Obligation) Order was passed by Parliament. The aim was to support the installation of energy efficiency measures in low-income households and neighbourhoods as well as harder to treat properties. It was intended to run until March 2015, replacing the Carbon Emissions Reduction Target (CERT) scheme and the Community Energy Saving Programme (CESP)

The relevant document can be found [here](#).

All energy suppliers, including the “Big Six” energy companies, EDF, SSE, npower, British Gas, E.ON UK and Scottish Power, had targets set for them, notably the Carbon Emissions Reduction Obligation (CERO) to be met by March 31st 2015. The CEROs were to be met (paid for) by suppliers assisting domestic users of energy in delivering a number of actions including insulation to cavity walls and the treatment of solid walls. The overall targets for these actions, for the period 1st January 2013 to March 31st 2015, were to reduce carbon emissions by 20.9 MtCO₂, deliver a Carbon Saving Community target of 6.9MtCO₂ and a reduction in home heating costs of £4.2 billion.

2. “ECO 2.0” Changes for Local Government

Changes to the Green Deal and ECO were published on the DECC website on December 4th 2013. This was a day before the Autumn Statement which included an announcement to reduce “green levies” on energy bills. It is claimed that this will reduce domestic energy bills by about £50 per year. The reduction would be in supplier costs and it would have to be passed on from the energy supplier to the customer in reduced bills.

A number of the Green Deal and ECO changes will have a significant impact on local government and its engagement with Green Deal and ECO schemes. Of particular interest to local government are the following:

- £90 million (of the total £540 million) will be made available over the next three years to improve the energy efficiency of public sector buildings, including schools and hospitals. This will be in the form of an additional £30m each of the 3 years from 2014/15 building on the existing Public Sector loans programme (SALIX).
- Incentives and support worth £150m each year for the three years from 2014-15 designed to reward new rather than replacement energy efficiency improvements, dovetailing with the Green Deal to leverage

private finance. The aim is to boost take up of energy efficiency measures both for households and for the public sector.

- A fourfold increase in the money available to English local authorities this year (2013 – 14) to £80m to promote Green Deal on a street by street basis
- The Green Deal cash back scheme will remain open aimed at incentivising the delivery of hard to treat cavity and solid wall insulation.

APSE Comment

APSE welcomed the ECO and Green Deal initiatives when they were originally announced as a significant move to improve energy efficiency, reduce fuel poverty and produce cleaner more sustainable energy for the future.

However, APSE members and other public service providers who are landlords and have been working to improve the energy efficiency of their housing stock through major retrofit programmes utilising the Energy Company Obligation (ECO) and Green Deal are likely to be negatively impacted by these developments.

The changes to ECO announced in December 2013 have had a dramatic and regressive impact upon the funding available for public sector housing retrofit programmes. A number of APSE members that have concluded ECO deals have now found that they are unable to implement a programme of planned improvements including external wall insulation and the regeneration of tower blocks and other flatted properties. This will have an adverse effect on many hard pressed communities and individuals in fuel poverty for whom home insulation could have significantly reduced the rising costs of heating their homes.

There will be a knock on effect to local jobs, training and for SME's who would have benefitted greatly from the large scale retrofit programmes.

It is also our understanding that currently the Energy Companies are either not considering any new funding requests for ECO or have massively scaled back such funding and are reviewing their future commitments. APSE believes that improving insulation and energy efficiency of homes is a vital prerequisite of ensuring a more balanced and affordable energy market in the longer term and reducing CO2 emissions in order to meet national and international commitments on carbon reduction.

One of the key reasons for the introduction of ECO was to target funding at those properties which were hardest to treat. A large number of these system built dwellings are occupied by the most vulnerable who are paying proportionally much more for heating and hot water. The recent reduction in the targets for solid wall insulation means that these residents, who have also made considerable contributions to the 'green levies' through their energy bills, will miss out on vital energy improvements to their homes at a time when energy prices are increasing significantly year on year.

In terms of evaluating the impact of the changes on individual local authorities there will be knock on effects for the size of some of the scheme as initially developed. The reduction in CERO by 33% will mean a large reduction in resource available to ECO for local government and households over the coming 3 – 5 years. This means there will necessarily be a requirement on local authorities to re-assess the financial implications on existing and potential schemes and how this will influence the wider role local authorities have in delivering energy efficiency, reducing fuel poverty and cutting carbon in their areas.

The 'green levies' element of energy costs is of course an easy target. By focussing on this cost the energy companies can deflect attention from other costs they may be unwilling to reduce and the debate about profits. This is a short term approach with the reduction in investments unlikely to be made by the property owners and so lost at a time when there is general recognition that this type of action is fundamental to an effective energy management policy. Many hard pressed communities and households in fuel poverty will be adversely impacted by the changes and APSE will continue to press the Government to review its changes on behalf of member authorities.

APSE has written to Ed Davey, Minister for Energy and Climate Change on behalf of its members to show support for the general principles of the work of the department as well as highlighting the negative implications for local authorities noted in this briefing.

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