

# An Overview of the UK Green Deal

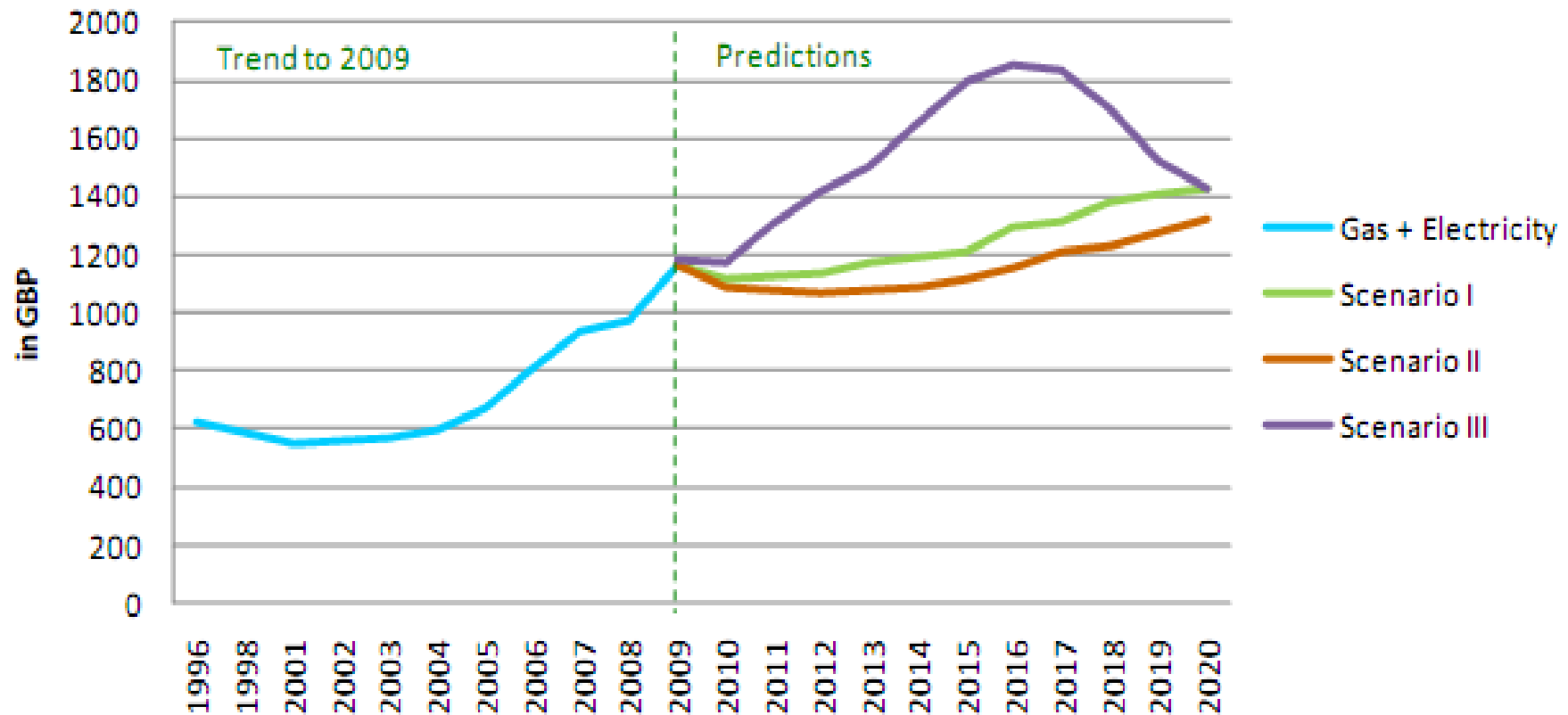
## Andrew Faulk

- Why is the green deal being introduced?
- What is going to happen?
- How might it work for you?



# Mains energy prices trends

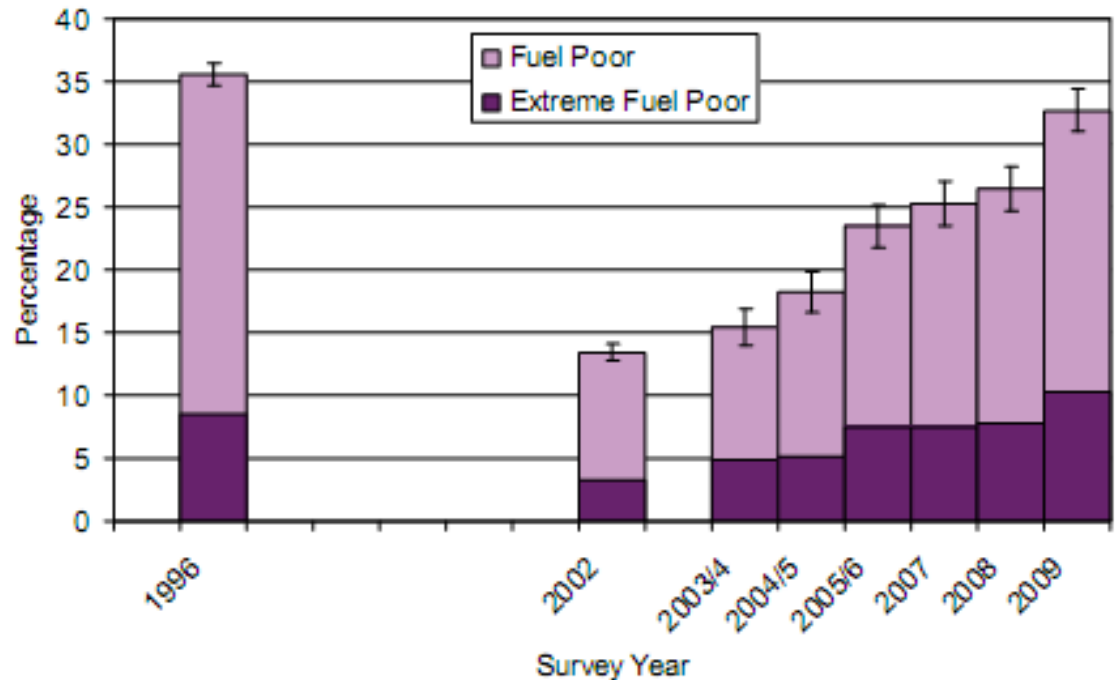
Average annual domestic gas and electricity bills  
(for standard credit consumers)



# Fuel Poverty Trends in Scotland

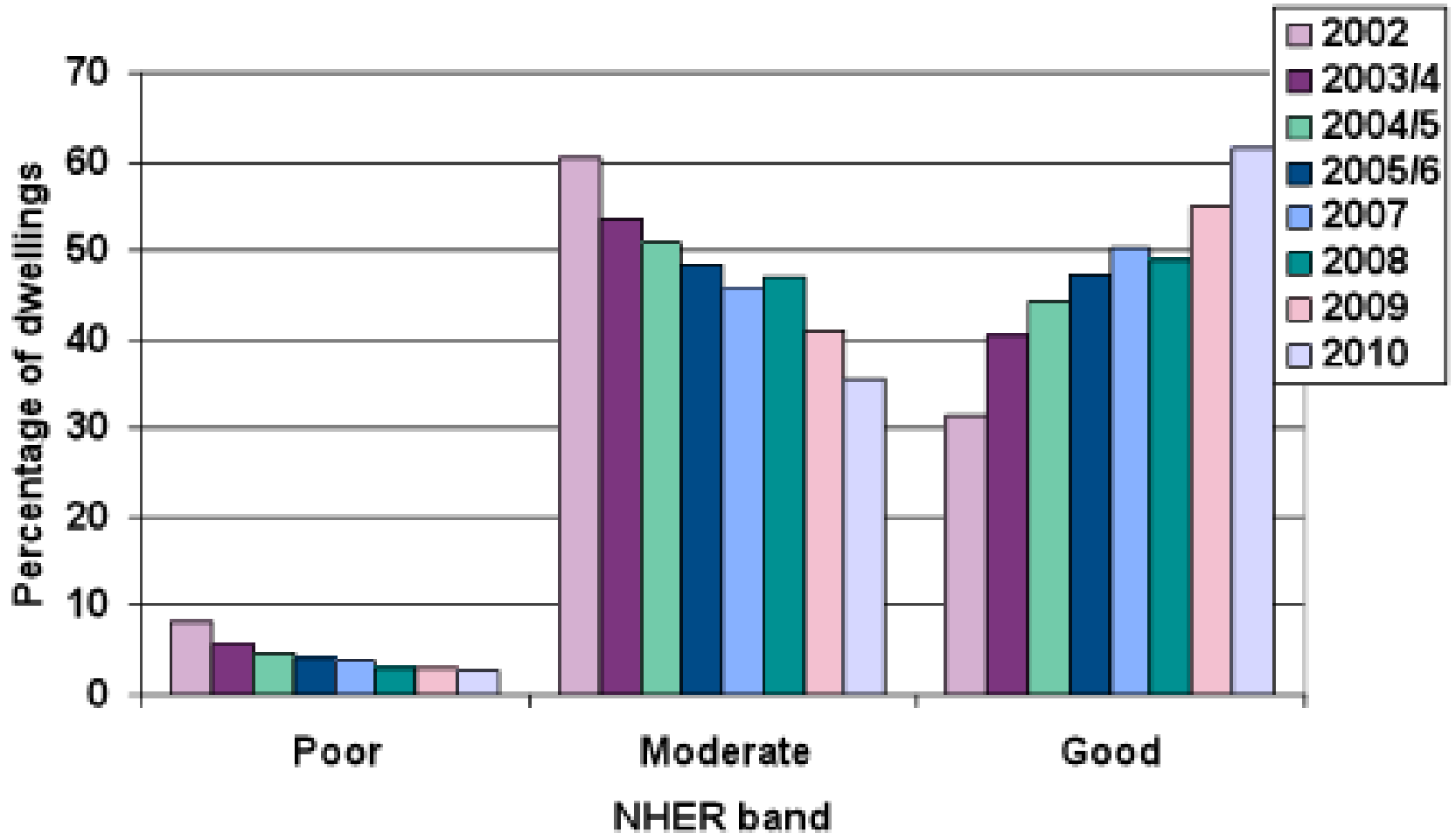
Number of households:

- 1996 - 738,000
- 2002 - 293,000
- 2009 - 770,000
- 2011 – 850,000



- Highest rates of fuel poverty among consumers living in detached and older houses without access to mains gas

# Energy Efficiency of houses in Scotland, 2002 - 2010



# Energy efficiency in Scotland is improving....

- New build standards increasing
- Social housing improvements driven by housing quality standards
- Scottish Government programmes - £70-80m pa
- Energy Company programmes - £100m pa
- Low cost measures most successful – boiler scrappage scheme, loft and cavity insulation



# But we are now coming up against longer term challenges....

- Engagement with consumers, particularly lower income and vulnerable groups
- Technical challenges around 'hard to treat' houses

*Estimated total costs to meet 2020 climate change targets and significantly reduce fuel poverty = **£3.4bn in addition to current spending***



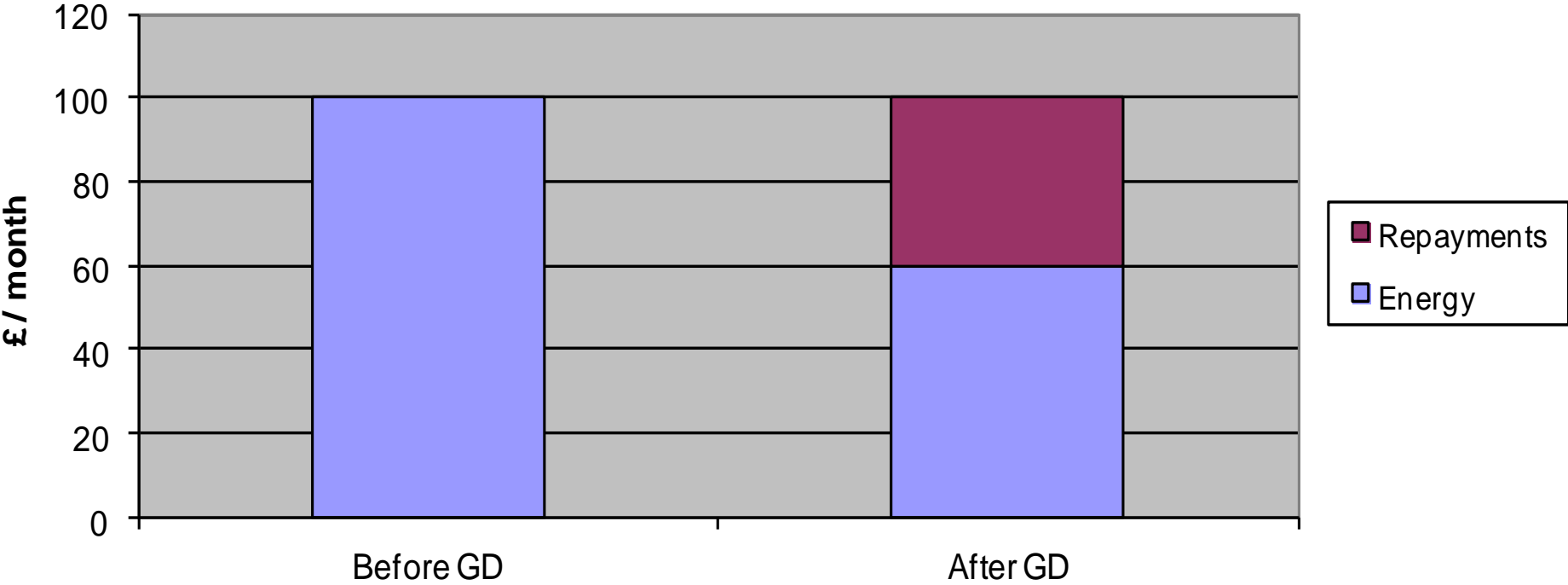
# How the Green Deal will work

- Green Deal provides finance for energy efficiency measures
- Costs recovered through charge on electricity bill tied to the house, not the consumer
- Expected fuel bill savings will exceed repayment charge – the *Golden Rule*
- ...but savings not guaranteed due to energy price rises and variations in consumer behaviour



# The Golden Rule in Action

## Effect of Green Deal on Payments



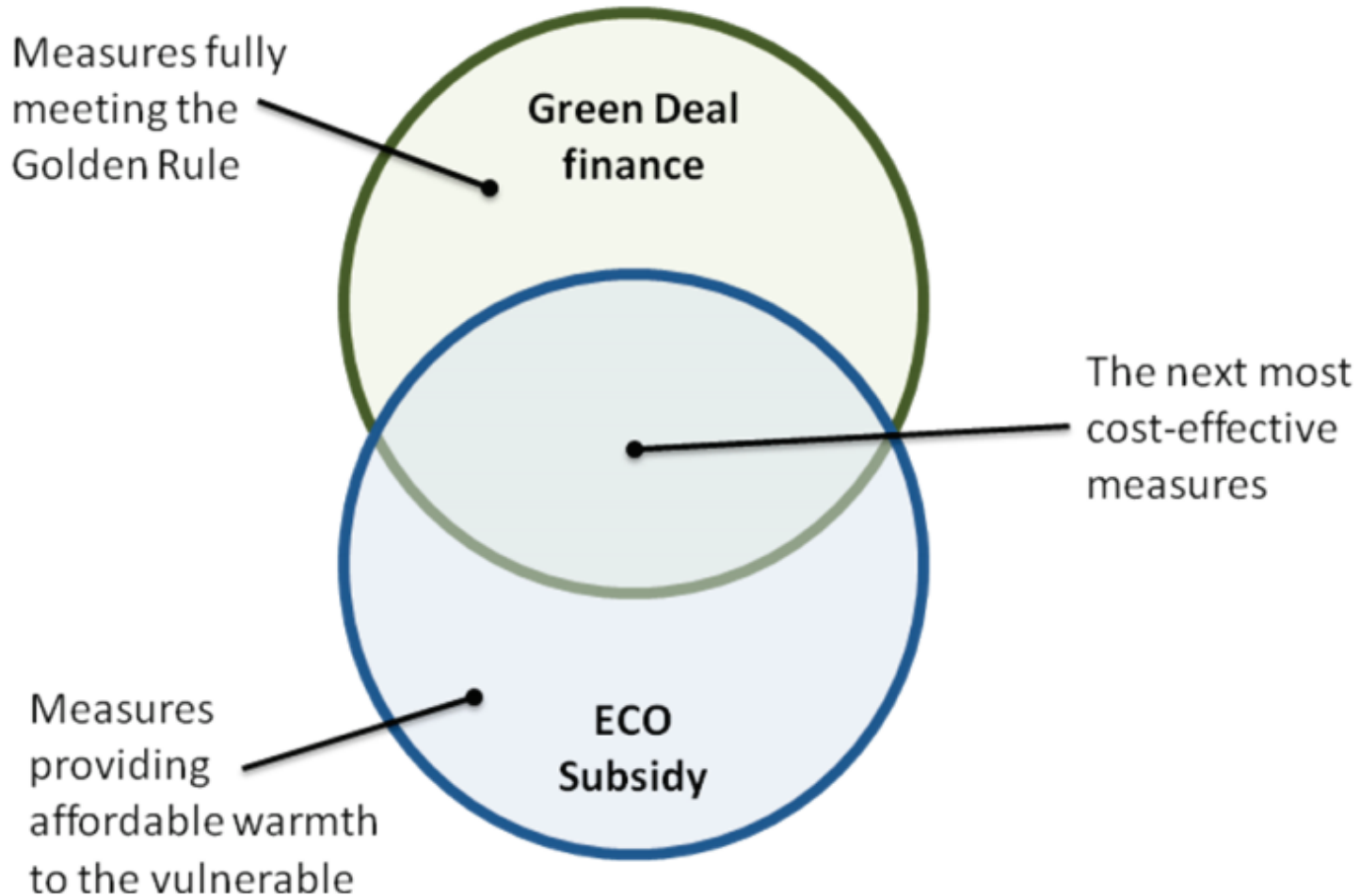


# Energy Company Obligation (ECO)

- Extra support where the Golden Rule won't work, targeting
  - fuel poor households and/or
  - solid wall properties
- Measures will be subsidised, not necessarily free of charge



# Energy Company Obligation (ECO)



*Note: Diagram is not to scale*

# How the GD process works for consumers

- Initial marketing and engagement
- Assessment and household report suggesting measures
- Quotes from providers giving savings and payback
- Work carried out
- Charge on electricity bill for agreed period
- Independent advice by phone alongside the process



# Consumers' concerns....

- Initial engagement?
- Assessment process & report?
- Delivery of measures?
- Financial package?
- Complaints and redress?



# Initial engagement

- Awareness raising and promotion through the market
- Independent advice available by phone
- Return of cold calling & doorstep selling?

## *Consumer concerns*

- *Not many people trust Energy Companies!*
- *Key role for local organisations, including both public sector and NGOs in generating interest*



# Assessment Process



- Assessors from private, public or NGO sectors
- Robust training and qualification process
- Assessment takes account of lifestyle, but modelled savings based on building fabric

## *Consumer concerns*

- *Adviser is different from assessor*
- *Don't want assessors paid for by GD providers: LA's and NGOs preferred, regardless of qualifications*
- *Some confusion about lifestyle vs technical assessment*

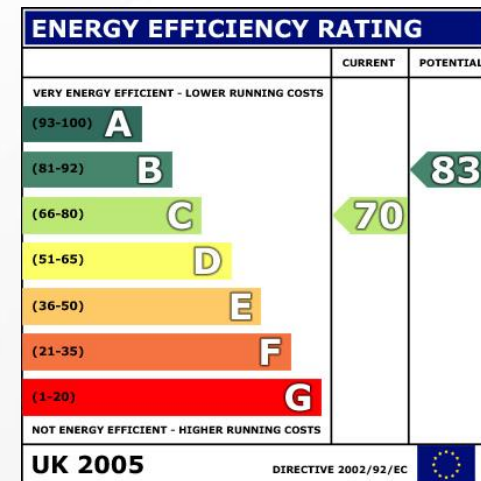


# Assessment report

- Report will show current and possible future energy rating and savings in revised EPC style
- Views sought on availability of reports to GD providers

## *Consumer concerns*

- *EPC style, with costs and benefits is clear and welcome*
- *Report availability is very contentious: Clear preference for distribution to be under consumer control*



# Delivery of measures

- Installations and authorised installers only
- Insurance-backed, warranties and guarantees
- GD provider first point of complaint, backed by oversight body

## Consumer concerns

- *Can I specify trusted local traders?*
- *Will warranties last for same period as GD finance?*





# Finance



- Golden rule & Consumer credit protections, no payment till measures completed
- Flexible payback times and levels of borrowing depending on measure & lifespan
- Likely penalties for early repayment of GD finance

## *Consumer concerns*

- *Golden rule good, but requires explanation*
- *Flexible payback good – but not if there are penalties, especially where GD has been transferred*
- *Will variable interest rates mean poorer consumers are penalised?*

## Longer term...

- Would you be interested in taking up a Green Deal package?
- Will an energy efficient house with a green deal charge be more or less attractive to buy, sell or rent?
- *Householders interested in SWI and microgen most attracted to GD – very little interest from others*
- *‘yes for insulation but it depends what else has been done...’*
- *‘I’d want the seller to clear GD debt as part of sale’*



# Responsibilities and redress

- Green deal provider responsible for their contractors meeting standards: first point of contact for complaints
- Other people responsible for subsequent actions, eg disclosure at point of transfer
- Energy Ombudsman and / or Financial Ombudsman as back up

## *Consumer concerns*

- *How long will this take?*
- *PPM consumers still paying GD charges during process?*



# Summary

- Green Deal and ECO offer new opportunities to address both fuel poverty and climate change emissions
- Many legitimate concerns around the detail still outstanding
- Trust is central to the delivery of new programmes – possible role for Eco-Congregations?

