House of Commons

Energy and Climate Change Committee

Home energy efficiency and demand reduction

Fourth Report of Session 2015–16

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The Energy and Climate Change Committee

The Energy and Climate Change Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Energy and Climate Change and associated public bodies.

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Committee reports are published on the Committee's website at www.parliament.uk/ecc and in print by Order of the House.

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Summary

Improving home energy efficiency is a 'win win' for households and the UK as a whole. It enhances the UK's energy security, cuts the carbon emissions from our building stock, and reduces costs–the cheapest energy is the energy that we don't use. From the consumer perspective, the benefits include lower energy bills, warmer homes that are more comfortable to live in, and improved wellbeing. Insulating draughty homes can also save vulnerable people from fuel poverty—a problem which remains unacceptably prevalent across the UK.

The Government's recent efforts to improve household energy efficiency have consisted of supplier obligations—such as the Energy Company Obligation (ECO)—and the market-led 'pay-as-you-save' Green Deal. These policies have proved inadequate. ECO has delivered many improvements but at much lower rates than previous supplier obligation schemes. The Green Deal did not increase demand for energy efficiency significantly and fell far short of original ambitions for the scheme. Beyond well-documented issues around complexity and cost, the Green Deal failed to address the hassle factor that can prevent customers signing up.

The energy efficiency supply chain has also been affected by inconsistent and unpredictable policy signals as policies have been chopped and changed. In the last year the Government has announced an end to the Green Deal and it has reneged on a long-standing commitment to require all new homes to be zero carbon from 2016 onwards. Sudden policy changes in this area, like other areas of energy policy, have created uncertainty in the market. It is crucial that the Government establishes a stable long-term framework for energy efficiency.

While we welcome the fact that Government has set out plans for the energy efficiency supplier obligation beyond ECO in 2017, we have serious concerns regarding the Department's proposed approach to tackling fuel poverty through energy suppliers. The importance of saving people from fuel poverty cannot be overstated, but we heard that the Government's decision to use the new supplier obligation to do so may be misguided and that we are the only country in Europe to take this approach. Commercial energy suppliers may not be best placed to reach those households who need it most, and a scheme which places costs on the very households it is designed to help is inherently regressive. Moreover, given the huge number of homes yet to benefit from energy efficiency measures, the reduced ambition of the new supplier obligation is a major disappointment.

The Government must do much more to reduce consumer energy bills by improving the energy efficiency of new and existing homes. Locally-led and area-based approaches have great potential. There are examples of good practice across the UK—including in Scotland—that should be drawn on. Zero carbon homes was a positive and ambitious policy, which could have saved future homeowners money on their energy bills. It should be reinstated. Alternatively, the Government should set out a similar policy that will ensure that new homes generate no net carbon emissions and are inexpensive to heat and light. The Department must also reinvigorate the 'able-to-pay' market. There is now no support to help households who wish to install energy efficiency measures but cannot meet the costs upfront. DECC should contemplate using the 'pay-as-you-save' mechanism, as well as the infrastructure behind the Green Deal Finance Company, when

considering how to assist 'able-to-pay' households in the years ahead. DECC must also seriously look to drive demand by pressing ahead with developing incentives such as the introduction of stamp duty and council tax reductions for efficient homes. The impact of these ideas must be properly assessed and support mechanisms must be in place to protect vulnerable consumers.

The Government must promptly demonstrate a renewed commitment to tackling energy efficiency by establishing adequate policies with long-term, ambitious objectives, which restore confidence to the industry. There are a huge number of homes yet to benefit from better energy efficiency. The UK housing stock is amongst the least energy efficient in the developed world. If the Government takes concerted action now it can help to insulate consumers from future energy price rises, while preventing the requirement for wide-scale retrofits and costly energy efficiency programmes in the future. Success in energy efficiency will only be achieved if a genuinely cross-departmental approach is adopted by Government. All of Government should see taking action on energy efficiency not as a cost today, but as an important investment for the future.

1 Introduction

1. Making homes energy efficient and reducing demand can play a significant role in lowering household fuel bills, increasing security of supply and reducing carbon emissions. Improving home energy efficiency is therefore critical in helping the UK tackle the energy trilemma.[1] Moreover, better levels of energy efficiency can improve consumer well-being and increase household comfort, making homes a nicer place to live in. However, the UK housing stock is amongst the least energy efficient in the world.[2] Adequate policies are essential to facilitate the retrofit of existing buildings and ensure that new ones are built to the most efficient standards.

2. In recent years, the Government's main efforts to improve household energy efficiency have consisted of a series of supplier obligations—the most recent of which is the Energy Company Obligation (ECO)—and a market-led 'pay-as-you-save' framework called the Green Deal. While ECO used targets to drive action from the large energy suppliers subject to the obligation, the Green Deal offered loans, administered by the Green Deal Finance Company (GDFC), to enable 'able-to-pay' households to install energy efficiency measures at little or no upfront cost. The Government said that the latter scheme would deliver energy efficiency to homes and buildings across the land.[3] In addition to this, the Government has sought to improve domestic energy efficiency through the introduction and use of regulations, such as those originally introduced to help the UK achieve zero carbon homes by 2016 (although this has now been scrapped, see paragraph 11). The Government has also committed to roll-out smart meters to all homes and small businesses by 2020, to help households better understand and control their energy use.[4]

3. There have been a number of announcements concerning UK home energy efficiency policies over the last year. In July 2015, HM Treasury announced that the Government would end its commitment to delivering zero carbon homes in 2016.[5] In the same month, the Department of Energy and Climate Change (DECC) issued a statement explaining that there would be no further Government funding for the GDFC—citing "low take-up and concerns about industry standards" as reasons for the decision.[6] In response to DECC's decision to end funding, the GDFC announced that it would immediately cease accepting applications for new Green Deal Plans.[7] This decision meant that no additional finance was available for households to fund any future Green Deal measures, effectively bringing the scheme to an end for new applicants. The Government also announced in the 2015 Spending Review that a new supplier obligation would replace ECO after the scheme's planned closure in March 2017.[8] This decision was part of the Government's "package of measures to reduce the projected cost of green policies".[9]

1 The term "energy trilemma" refers to the challenge of keeping the lights on, at an affordable price, while meeting our long-term decarbonisation goals.
2 Department of Energy and Climate Change press release, 'Hate rising energy costs? Green Deal With It,' 29 January 2013
3 House of Commons Library Research Briefing, The Green Deal, (February 2014), p 1
4 DECC, DCLG, DWP, '2010 to 2015 government policy: household energy', accessed 29 February 2016
5 HM Treasury, Fixing the Foundations: Creating a more prosperous nation, (July 2015), p 46
6 Department of Energy and Climate Change, 'Green Deal Finance Company funding to end,' accessed 29 February 2016
7 The Green Deal Finance Company, 'Important Announcement from GDFC,' accessed 29 February 2016
8 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015), p 39
9 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015), p 39

4. In July 2015, one of the first steps we took as a Committee was to consult our stakeholders on priority areas of scrutiny. This has helped to inform our immediate programme of inquiries and our long-term strategy.[10] Energy efficiency emerged as a key priority for scrutiny. Many stakeholders highlighted the need to ensure that the Government had learnt from schemes such as the Green Deal and ECO and understood what steps need to be taken to create a market for energy efficiency.[11] In response, we launched our *Home energy efficiency and demand reduction* inquiry on 16 September 2015.[12] We received 99 written submissions and held five oral evidence sessions between November 2015 and January 2016. A full list of witnesses can be found at the back of this report. We are grateful to all of those who contributed to this inquiry.

5. In chapter 2 of this report we present an overview of recent energy efficiency policies and review their successes and failures. In chapter 3, we discuss the specific idea of a new supplier obligation and how it can best be designed to drive energy efficiency objectives. In chapter 4, we set out our ideas on how to create a clear, long-term policy framework for energy efficiency. Finally, in chapter 5 we present our overarching conclusions on this subject.

Box 1: Working towards our goals

At the start of the 2015 Parliament we set out three goals for our scrutiny work:

- Holding the Government to account on achieving a balanced energy policy;
- Setting the agenda on an innovative future energy system; and
- Influencing the long-term approach to climate targets.*

Our work on home energy efficiency and demand reduction cuts across our goals to hold the Government to account on achieving a balanced energy policy and to influence their long-term approach to achieving climate targets. Improving household energy efficiency helps to lower bills and reduce demand—which is good for consumers, good for security of supply, and good for the UK's ability to meet its emissions reduction targets. Throughout the course of this Parliament, we welcome feedback on our work towards our goals.

*Energy and Climate Change Committee, First Report of Session 2015–16, *Our Priorities for Parliament 2015–20*, HC368

10 Energy and Climate Change Committee, First Report of Session 2015–16, *Our Priorities for Parliament 2015–20*, HC368

11 Energy and Climate Change Committee, First Report of Session 2015–16, *Our Priorities for Parliament 2015–20*, HC368, p 7

12 Energy and Climate Change Committee, Home energy efficiency and demand reduction inquiry launched, accessed 29 February 2016

2 Energy efficiency to date: a mixed record

An introduction to recent policies

6. In recent years there have been multiple energy efficiency policies in the UK. These have included a series of Government-imposed energy saving targets for large energy suppliers (ECO and its predecessor supplier obligations); a 'pay-as-you-save' market-based mechanism, the Green Deal, which was aimed at improving energy efficiency in 'able-to-pay' households; taxpayer funded grant programmes such as the Warm Front and the Green Deal Home Improvement Fund (GDHIF); and regulatory requirements, such as zero carbon homes. In addition to this, the minimum energy efficiency standards (MEES) were passed into law in March 2015, but are not due to come into effect until April 2018. These policies are described in more detail below. We were told by various stakeholders that a strategy that combines several of these mechanisms would provide the most potential to drive widespread energy efficiency in homes.[13] There is also an opportunity for vulnerable households to receive an annual discount on their energy bill called the Warm Home Discount, though this is not explicitly an energy efficiency scheme.

The Green Deal

7. The Green Deal was introduced in 2013 as a market-led approach to energy efficiency. It was declared by the then Coalition Government a "flagship piece of legislation, which [would] deliver energy efficiency to homes and buildings across the land".[14] Through the issuing of loans to fund measures, the scheme introduced a new financing mechanism to allow 'able-to-pay' households to carry out energy efficiency improvements at little or no upfront cost. This was to be achieved by ensuring that the expected monthly financial savings of any energy efficiency measures taken under a Green Deal were equal to or greater than the costs of the loan provided to fund the measures. This was known as the 'Golden-Rule' and was central to the Green Deal 'pay-as-you-save' principle. The installation costs of the measures were attached to the property's electricity meter and repaid in instalments through the electricity bill.

8. The Green Deal process began with an assessment carried out by a registered Green Deal Assessor, who recommended (in a Green Deal advice report) the appropriate energy efficiency measures to be installed. If a Green Deal was to be taken up, a Green Deal Provider set up a Green Deal finance plan outlining the work to be done and the length and amount of the repayments. Once a plan was agreed upon, the Provider arranged for a Green Deal Installer to carry out the improvements, and Green Deal repayments were then added to the electricity bill. The GDFC was responsible for administering and financing the loans, which were included in Green Deal Plans. These set out the financial terms of agreement between the Provider and the household responsible for paying for improvements.

13 Q128 [Dr Eyre & Dr Rosenow], Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012), British Gas (HEE0041)

14 House of Commons Library Research Briefing, *The Green Deal*, (February 2014), p 1

The Energy Company Obligation

9. The Energy Company Obligation (ECO) was introduced as the successor to previous supplier obligations: the Carbon Emissions Reduction Target (CERT) and the Community Energy Savings Programme (CESP). It requires large energy suppliers with more than 250,000 customers to deliver energy efficiency measures in order to help the Government achieve desired outcomes (see below). The cost of delivering ECO measures is passed by energy suppliers onto households through their energy bills. The first phase of ECO lasted from 2013 to 2015 and the current period is expected to end in March 2017. Under ECO, the Government set out in 2013 three obligations that large energy suppliers had to meet:

- Carbon Emissions Reduction Obligation (CERO): to deliver total carbon savings of 20.9 $MtCO_2$[15] through the installation of measures like solid wall and hard-to-treat cavity wall insulation.
- Carbon Saving Community Obligation (CSCO): to deliver total carbon savings of 6.8 $MtCO_2$ through the installation of insulation measures in specified areas of low income. CSCO contained a "sub-obligation" which required suppliers to deliver a minimum of 15% of this target to low income households in rural areas.[16]
- Home Heating Cost Reduction Obligation (HHCRO, also known as Affordable Warmth): to deliver £4.2 billion savings on energy bills for low income households and households in receipt of particular means-tested benefits.[17]

Green Deal Home Improvement Fund

10. In addition to ECO and the Green Deal, the Government launched the Green Deal Home Improvement Fund (GDHIF) in June 2014, which gave households in England and Wales the chance to claim cashback for installing energy-efficiency measures. Three discreet tranches of funding were released as part of the GDHIF in June 2014, December 2014 and March 2015. GDHIF was separate to the Green Deal scheme and cashback was available for a certain number of specific measures, including solid wall insulation, cavity wall insulation and glazing.[18]

Zero carbon homes

11. Following a commitment by the previous Coalition Government to implement zero carbon homes "from 2016",[19] it was announced in the 2014 Queen's Speech that legislation would be introduced to "allow for the creation of an allowable solutions scheme to enable all new homes to be built to a new zero carbon standard".[20] This legislation was designed to help the housebuilding industry reduce all carbon emissions from homes

15 Million tonnes of carbon dioxide
16 For the purposes of CSCO, DECC defines a rural household as a household of private or social tenure within a settlement under 10,000 homes. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65608/6968-energy-company-obligation-carbon-saving-community.pdf
17 Ofgem, 'Energy Company Obligation,' accessed 1 March 2016
18 Which? 'The Green Deal Explained,' accessed 1 March 2016
19 HM Treasury, *Budget 2013* (March 2013) p 40
20 Cabinet Office, 'Queens Speech 2014', accessed 22 January 2016

through measures such as energy efficiency services and insulation, as well as renewable energy generation and off-site carbon reduction measures.[21] However, the Government announced in July 2015 that it would scrap the zero carbon homes policy.[22]

Minimum energy efficiency standards

12. In March 2015, a regulation known as the minimum energy efficiency standards (MEES) passed into law. It requires all those in the private rented sector (PRS) to have a minimum energy efficiency rating of 'E' on their Energy Performance Certificate (EPC) by April 2018. An EPC is required when a property is rented, built or sold, and contains information about a property's energy use and typical energy costs, as well as recommendations about how to reduce energy and save money. It gives a property an energy efficiency rating from A (most efficient) to G (least efficient). The MEES regulation will be enforced upon the granting of a new lease in the PRS from April 2018, including where a lease is already in place and a property is occupied by a tenant.[23]

How effective have recent policies been?

13. Since 2000, domestic energy demand has decreased by 19%, despite a 12% increase in the number of households and a 9.7% increase in population.[24] Energy consumption, per household, is now at its lowest point since pre-1970 levels.[25] In addition to this, the majority of UK homes now have double-glazing and half of households with gas central heating systems use high efficiency condensing boilers.[26] The proportion of households that have the lowest energy efficiency ratings (F to G) has fallen from 20% to 6% from 2004 to 2014.[27] Moreover, the proportion of domestic properties that fall within the highest energy efficiency ratings bands (A to C) increased from 4% to 26% over the same period of time.[28] By November 2015, under the Green Deal, a total of 14,799 unique properties had Green Deal Plans in place.[29] This figure includes both 'live' Green Deal Plans, where households are paying for installed measures through their energy bills, as well as 'new' and 'pending' Green Deal Plans, where households have not yet completed installation and payments have not begun.[30] By December 2015, under ECO, over 600,000 cavity walls had been insulated, more than 400,000 homes had received loft insulation and over 350,000 households had a new boiler installed.[31] This meant that around five per cent of

21 DCLG, *Zero carbon homes: Impact assessment* (May 2011)
22 HM Treasury, *Fixing the Foundations: Creating a more prosperous nation,* (July 2015), p 46
23 DECC, 'Final Stage Impact Assessment for Private Rented Sector Regulations,' accessed 1 March 2016
24 DECC, *Energy Consumption in the UK*, (July 2015), p 5
25 DECC, *Energy Consumption in the UK*, (July 2015), p 5
26 Energy Saving Trust (HEE0085)
27 Department for Communities and Local Government, *English Housing Survey Headline Report 2014–15*, (February 2016), p 35
28 Department for Communities and Local Government, *English Housing Survey Headline Report 2014–15*, (February 2016), p 35
29 Department of Energy and Climate Change, Household Energy Efficiency National Statistics, headline release February, accessed 23 February 2016
30 Department of Energy and Climate Change, Household Energy Efficiency National Statistics, headline release February 2016, accessed 23 January 2016
31 Department of Energy and Climate Change, Household Energy Efficiency National Statistics, headline release February 2016, accessed 23 February 2016

all households in Great Britain have had a measure installed under the scheme.[32] The Association for the Conservation of Energy told us that Government policies over the past decade had driven progress in energy efficiency:

> Previous programmes […] have delivered significant numbers of energy efficiency measures to households, and these have undoubtedly contributed to falling energy use for heating homes […] there is good reason to believe that well-established types of energy efficiency programmes (such as building regulations and energy company obligations) can save significant amounts of energy.[33]

14. Despite this progress, estimates by the Committee on Climate Change in 2014 suggested that 4.5 million cavity walls remained un-insulated, 10 million easy-to-treat lofts could benefit from additional insulation and 7 million solid walls were still without any insulation.[34] In their central scenario for meeting the fifth carbon budget, the CCC also said in 2015 that insulation rates must increase in the UK and that 1.5 million solid walls and 2 million cavity walls must be insulated throughout the 2020s.[35] We were warned that while policies over the last two decades had successfully driven energy efficiency improvements, policies since 2013 had failed to deliver this action at an adequate scale, leading to a slow-down in the rate of installation of home insulation measures.[36] The Mineral Wool Insulation Manufacturers Association stated that the building insulation market contracted by 22% in 2013[37] and a report by ResPublica, an independent think tank, said that since 2012, the average delivery rate for loft insulation dropped by 90%, cavity wall insulation by 62% and solid wall insulation by 57%.[38] This illustrated the "huge drop in the market for traditional insulation measures at the end of CERT and CESP and start of ECO".[39] The CCC said the slow-down in the rate of installation of insulation was having a "detrimental impact" on the ability to meet fuel poverty targets and that cost-effective emissions savings were being missed as a result.[40] The Centre on Innovation and Energy Demand at the University of Sussex added that the Green Deal and ECO had been "a major setback for UK energy efficiency policy".[41] The Energy and Utilities Alliance stated that ECO and the Green Deal contrasted "with the more stable schemes that preceded them. […] Whilst these were not perfect, they allowed for a more consistent and understandable delivery of energy efficiency".[42]

32 Department of Energy and Climate Change, Household Energy Efficiency National Statistics, headline release February 2016, accessed 23 February 2016
33 Association for the Conservation of Energy (HEE0042)
34 The Committee on Climate Change, *Meeting Carbon Budgets - 2014 Progress Report to Parliament* (July 2014), p 163
35 The Committee on Climate Change, *The Fifth Carbon Budget*, (November 2015), p 16
36 Citizens Advice (HEE0080), Energy and Utilities Alliance (HEE0028), Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012),
37 Mineral Wool Insulation Manufacturers Association (HEE0055)
38 ResPublica, *After the Green Deal: Empowering people and places to improve their homes,*(September 2015), p 2
39 Saint-Gobain (HEE0076)
40 The Committee on Climate Change, *Meeting Carbon Budgets - Progress in reducing the UK's emissions 2015 Report to Parliament* (June 2015), p 21
41 Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012)
42 Energy and Utilities Alliance (HEE0028)

Issues with the Energy Company Obligation

15. All suppliers that deliver ECO had met their obligations as of March 2015,[43] but we heard that ECO was much less ambitious than its predecessor schemes. The Association for the Conservation of Energy told us that:

> ECO has continued to deliver measures, but at a much lower level than its predecessor obligations, and it has failed to fill the gap left by the closure of the publicly funded Warm Front programme[44] or to contribute to carbon emissions reductions in as significant a way as the previous obligations, CERT and CESP.[45]

16. ECO was revised in 2014 as a result of "concerns around the cost to energy companies of delivering the scheme".[46] Changes to the obligations included a 33% reduction to the CERO target, the inclusion of "low-cost" measures (loft insulation and cavity-wall insulation) as eligible within the CERO obligation, and new targets for CSCO, which widened the scope of its delivery (thereby making it easier, and cheaper, for suppliers to find qualifying households and meet their obligation).[47]

Issues with the Green Deal

17. Uptake of the Green Deal has been low[48] and issues with the scheme have been well documented since its launch.[49] In contrast to the hundreds of thousands of measures installed under ECO, as we noted earlier, only 14,799 total Green Deal Plans were in place in unique properties across the UK as of November 2015.[50] Isaac Occiphinti, Head of External Affairs at Energy and Utilities Alliance, stated that the scheme had stood "no chance" from the start.[51] Our predecessors launched two inquiries into the Green Deal to follow the scheme "from its inception and monitor its progress and success against the aims and objectives of DECC's policies".[52] The first of these inquiries raised concerns that the Green Deal policy had no means to "verify its own success or otherwise"[53] and that there was a lack of clarity from the then Government around the projected outcomes of the policy.[54] Sixteen months later, our predecessors' second inquiry concluded that the

43 Ofgem, *Energy Companies Obligation Final Report*, (September 2015)
44 Warm Front Scheme was a taxpayer funded scheme designed to help vulnerable households fund energy efficiency improvements. The scheme ended in January 2013 and was replaced by Affordable Warmth under ECO.
45 Association for the Conservation of Energy (HEE0042)
46 Ofgem, *Energy Companies Obligation Final Report,* (September 2015), p 3
47 Department of Energy and Climate Change, *The Future of the Energy Company Obligation* (July 2014), p 6
48 Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012), Energy and Utilities Alliance (HEE0028), Hampshire Country Council (HEE0004), UKERC (HEE0050), EDF Energy (HEE0069), Energy Saving Trust (HEE0085)
49 Energy and Climate Change Committee, First Report of Session 2014–15, The Green Deal: watching brief (part 1), HC 142 & Energy and Climate Change Committee, Third Report of Session 2014–15, The Green Deal: watching brief (part 2), HC 348
50 Department of Energy and Climate Change, Household Energy Efficiency National Statistics, headline release February, accessed 23 February 2016
51 [Q65] Isaac Occhipinti
52 Energy and Climate Change Committee, First Report of Session 2014–15, The Green Deal: watching brief (part 1), HC 142
53 Energy and Climate Change Committee, First Report of Session 2014–15, The Green Deal: watching brief (part 1), HC 142, p 23
54 Energy and Climate Change Committee, First Report of Session 2014–15, The Green Deal: watching brief (part 1), HC 142, p 23

Green Deal had "failed to live up to expectations"[55] due to the complexity of the scheme and a combination of financial, communication and behavioural barriers that were all preventing large scale take-up.[56] We heard that these same barriers remained throughout the life of the Green Deal,[57] ultimately leading to its "failure".[58]

18. The GDFC recognised that the appetite for Green Deal finance had not matched original expectations:

> Demand for Green Deal finance did not build as quickly as had been forecast by founder members of the company together with other stakeholders in the Green Deal. Low take-up was one of the reasons why Government decided not to continue with the programme.[59]

Andrea Leadsom MP, Minister of State for Energy, also acknowledged that the performance of the Green Deal had been poor:

> On the Green Deal, the issue there […] is well documented. By August 2015, there were 15,000 green deal plans that had been written. That was a tiny percentage of the expected number of plans that would have been written by now—a tiny percentage; less than 10% versus 1 million individual measures through ECO since 2013.[60]

19. Throughout this inquiry we have heard many criticisms of the Green Deal scheme. As the Minister acknowledged, these are well documented,[61] not least by our predecessors.[62] The persistent problems with the Green Deal are summarised as:

- Complexity for both households and the installation industry;[63]

55 Energy and Climate Change Committee, Third Report of Session 2014–15, The Green Deal: watching brief (part 2), HC 348, p 35

56 Energy and Climate Change Committee, Third Report of Session 2014–15, The Green Deal: watching brief (part 2), HC 348, p 35

57 Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012), Saint-Gobain (HEE0076), Sustainable Energy Association (HEE0015), Which? (HEE0027), Citizens Advice (HEE0080), Q30 [Peter Broad], NAPIT (HEE0010), Calor Gas (HEE0014), UCL (HEE0020), Residential Landlords Association (HEE0025)

58 Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012), Sustainable Energy Association (HEE0015), UCL (HEE0020), Energy and Utilities Alliance (HEE0028), Mears (HEE0068), Saint-Gobain (HEE0076)

59 The Green Deal Finance Company (HEE0093)

60 Oral evidence taken on 29 October 2015, HC (2015–16) 542, Q57 [Andrea Leadsom]

61 Oral evidence taken on 29 October 2015, HC (2015–16) 542, Q57 [Andrea Leadsom]

62 Energy and Climate Change Committee, First Report of Session 2014–15, The Green Deal: watching brief (part 1), HC 142 & Energy and Climate Change Committee, Third Report of Session 2014–15, The Green Deal: watching brief (part 2), HC 348

63 Hampshire County Council (HEE0004), NAPIT (HEE0010), Q38 [Councillor Fleming], Q143 [Simon Roberts], RWE npower (HEE0063) British Gas (HEE0041), Citizens Advice (HEE0080), Q39 [Joanne Wade], Q81 [Isaac Occhipinti], Q81 [Holly Jago], Q30 [Peter Broad], Beama (HEE0049), Which? (HEE0027), [Q7] Grant Bourhill, [Q7] Peter Broad

- Expenses associated with the scheme, including: the cost of the Green Deal assessment,[64] the high interest rates associated with the loans,[65] and the limits to how much could be loaned under the Golden Rule;[66]

- Poor communication and marketing of the scheme, including the failure to understand the behavioural barriers preventing wide-scale take-up of energy efficiency measures.[67]

Interactions between ECO and the Green Deal

20. The relationship between ECO and the Green Deal has evolved over time. It was originally anticipated that ECO would work alongside the Green Deal by "providing additional support to deliver measures […] which will not be fully financeable through the Green Deal".[68] ECO was therefore designed to drive the installation of more costly measures, such as hard-to-treat cavity wall insulation and solid wall insulation, whilst the Green Deal helped consumers to install low-cost measures. However, in reality, ECO and the Green Deal ran "in tandem",[69] often competing rather than complimenting each other. EDF Energy told us that this created a "complex, uncertain and expensive framework",[70] with Certinergy adding that there was "no clear delineation of who the finance [was] targeted at".[71] Simon Roberts, Chief Executive of the charity Centre for Sustainable Energy, said that ECO got "terribly wound up with the Green Deal"[72] and Certinergy, a registered Green Deal Provider, explained to us that both schemes running side by side had a detrimental impact on the supply chain. Certinergy said: "Launching the Green Deal at the same time as ECO created competing schemes that cannibalised the supply of participating service providers and installers."[73]

21. In addition to this, changes to ECO midway through the scheme further undermined the originally envisaged relationship between the two schemes, making the supplier obligation "unduly complicated and costly to manage".[74] Citizens Advice said the changes to the ECO obligations, which came into effect in 2014, "undermined the rationale of the Green Deal and ECO policy framework" because it allowed more 'able-to-pay' households to access measures meant for those who most needed it.[75]

64 Energy and Utilities Alliance (HEE0011), Which? (HEE0027), Sustainable Energy Association (HEE0015), Q67 [Isaac Occhipinti]

65 Confederation of British Industry (HEE0035), NAPIT (HEE0010), Energy Technologies Institute (HEE0011), Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012), Sustainable Energy Association (HEE0015), UCL (HEE0020), Residential Landlords Association (HEE0025), Energy and Utilities Alliance (HEE0028), National Housing Federation (HEE0032), UKGBC (HEE0087), Q42 [Richard Twinn], The Green Deal Finance Company (HEE0093)

66 AgeUK (HEE0019), British Gas (HEE0041), E.ON (HEE0078), Scottish Power Suppliers (HEE0091), UKERC (HEE0050), Knauf Insulation (HEE0095), Association for the Conservation of Energy (HEE0042), Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012), Q141 [Dr Eyre]

67 AgeUK (HEE0019), Energy Saving Trust (HEE0085), Citizens Advice (HEE0080), Which? (HEE0027), ETI 3 November, Energy and Utilities Alliance (HEE0011), Q49 [Richard Twinn], Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012), RWE npower (HEE0063)

68 DECC, *Final Stage Impact Assessment for the Green Deal and ECO*, (August 2012), p 1

69 EDF Energy (HEE0069)

70 EDF Energy (HEE0069)

71 Certinergy Uk Ltd (HEE0006)

72 Q152 [Simon Roberts]

73 Certinergy UK Ltd (HEE0006)

74 British Gas (HEE0041)

75 Citizens Advice (HEE0080)

Stop-start nature of energy efficiency policy

22. Many contributors to our inquiry emphasised that energy efficiency policy had been particularly prone to change over the past few years. They explained that sudden changes, such as those to ECO only a year into the scheme, were problematic. Our recent report into *Investor confidence in the UK energy sector* highlighted "sudden and numerous policy announcements" as one of the six factors having a damaging effect on investor confidence.[76] Contributions to this inquiry echoed this. The UK Green Building Council said that "constantly changing energy efficiency policies [had] interrupted the growth of the home retrofit market, […] undermined investor confidence and have had a negative impact on the supply chain".[77] The Residential Landlords Association told us that:

> Inconsistency with government policy and frequent 'chopping and changing' has proved a huge barrier to the take-up of energy efficiency improvement measures. These changes have decimated the supply chain, and have discouraged market-led solutions.[78]

The Association for the Conservation of Energy warned that policies had proven "susceptible to decisions driven by short-term political priorities", leading to very low level of business confidence in UK markets.[79] Philip Sellwood, Chief Executive at the Energy Saving Trust, added that "this [had] led to some poor measures [being] installed and also poor value for money over time".[80]

23. This lack of stability and longevity led to an energy efficiency supply chain which has been "constantly beset with issues of uncertainty".[81] It was reported in the specialist news outlet Business Green in 2015 that before entering administration, Mark Group (a UK energy advice and installation company) had been badly affected by the "market slow-down" caused by the uncertainty over the future of ECO and the failure of the Green Deal.[82] Lawrence Slade, Chief Executive of Energy UK, said:

> It always seems that there is a hard stop at the end of every scheme. That causes tremendous issues for the supply chain. You are trying to invest in new kit, you are trying to keep staff on, you are trying to keep installation teams working, pay salaries, and so on. But if the policy just comes to a dead end around an election or around the end of a scheme, you end up with redundancies.[83]

Dr Nick Eyre, Director of the UK Energy Research Centre, said that the development of the energy efficiency supply chain had been "forgotten" within recent Government energy efficiency policy, but remained the key to delivering home energy efficiency.[84]

76 Energy and Climate Change Committee, *Third Report of Session 2015–16, Investor Confidence in the UK energy sector,* HC 542
77 UKGBC (HEE0087)
78 Residential Landlords Association (HEE0025)
79 Association for the Conservation of Energy (HEE0042)
80 Q2 [Philip Sellwood]
81 E.ON (HEE0078)
82 Business Green, 'Mark Group enters administration as government is blamed for latest green job losses,' accessed 1 March 2016
83 Q64 [Lawrence Slade]
84 [Q128] Dr Eyre

Mears, a major housing and social care provider, said that it requires "stability to invest resource and time into [energy efficiency] programmes to help transform and improve the communities [they] serve."[85]

24. **We recognise that, through the Energy Company Obligation, large energy suppliers have delivered well over one and a half million energy efficiency measures over the past years, as well as significant bill savings for consumers. However, we have heard that targets are much lower and less ambitious than under the previous supplier obligations: the Carbon Emissions Reduction Target and the Community Energy Saving Programme. There has been a disappointing decline in energy efficiency installation rates. This is seriously concerning, especially given that there are a huge number of homes left to benefit from insulation and other measures.**

25. **The Green Deal is widely regarded to have been a failure. It fell unacceptably short of original ambitions and it is clear that the scheme has not driven any significant demand for energy efficiency measures in the 'able-to-pay' sector. The problems preventing Green Deal from large scale take-up were well documented by our predecessors. Disappointingly, they were not addressed. The failure of the Green Deal has been further exacerbated by the unhelpful and competitive interplay between the scheme and the Energy Company Obligation.**

26. **Policy changes, under both the previous and current Government, have led to a degree of uncertainty within the energy efficiency market. This has led to a complex and confusing landscape for consumers to navigate. This lack of stability has also been detrimental to the supply chain, which has suffered job losses.**

27. The rest of this report sets out our recommendations for the future. It begins by addressing our priorities for the introduction of the new supplier obligation, before exploring issues around targeting the hard-to-reach and the fuel poor. It then moves onto our recommendations to help the Government achieve a clear, long-term framework for energy efficiency.

85 Mears (HEE0068)

3 The new suppler obligation

28. In November 2015, the Government announced in the Spending Review:

> The government is implementing a package of measures to reduce the projected cost of green policies on the average annual household energy bill by £30 from 2017. The bulk of these savings will come from reforms to the current ECO scheme. This will be replaced from April 2017 with a new cheaper domestic energy efficiency supplier obligation which will run for 5 years. The new scheme will upgrade the energy efficiency of over 200,000 homes per year, saving those homes up to £300 off their annual energy bill, tackling the root cause of fuel poverty and delivering on the government's commitment to help 1 million more homes this Parliament.[86]

Concerns with the proposed supplier obligation

29. In the weeks following the Spending Review, we heard a number of concerns about the announcements regarding the new supplier obligation. These related to the level of funding, the level of ambition, and the projected savings of the new supplier obligation.

Reduction in funding

30. The Spending Review stated that the new domestic energy efficiency supplier obligation would have a value of £640 million per year, which we heard represents a reduction in spending of over £300 million every year in comparison to the estimated annual average delivery costs for ECO between January 2013 and March 2015.[87] We heard that this reduced funding would seriously impact the ability of the proposed scheme to tackle fuel poverty (an issue closely linked to homes with poor energy efficiency standards)[88] as there was still "a big gap" between the Government's fuel poverty targets and the level of funding available to meet them.[89] Policy Exchange said that the reduced funding "would meet only half of the estimated £1.2 billion per annum required in order to achieve fuel poverty reduction targets".[90] National Energy Action added:

> Whilst the new programme is likely to be more focused on vulnerable fuel poor households, it is now likely that fewer households will be helped with energy efficiency measures through levy funded supplier obligations than ever before.[91]

We raised these concerns with Lord Bourne, Parliamentary Under Secretary of State for DECC, who responded: "obviously we can only operate within the financial envelope of the spending review. [The] £640 million a year is still an awful lot of money. […] It is a significant sum of money, and it needs focusing on the fuel-poor".[92]

86 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015), p 39
87 DECC, *The Future of the Energy Company Obligation: Final Impact Assessment*, (November 2014)
88 DECC, *Annual Fuel Poverty Statistics Report 2015*, (May 2015), p 6
89 [Q157] Dr Rosenow
90 BBC News, Campaigners warn over new energy efficiency scheme, accessed 1 March 2016
91 National Energy Action (HEE0113)
92 Q219 [Lord Bourne]

Reduced targets

31. There are concerns that Government's new target of insulating 200,000 homes per year up to 2020, which was confirmed in the Spending Review, is not ambitious enough and represents "a further significant reduction in the rate of insulation".[93] We were told that much greater policy ambition was needed if the UK was to meet its carbon goals as well as its fuel poverty goals. Dave Sowden, Chief Executive of the Sustainable Energy Association (an industry body) said:

> The Government has been quite clear […] that it wishes to insulate 1 million homes during the course of this Parliament, and it has set out in the Spending Review that the £640 million a year should deliver 200,000 homes per year. That is consistent with the 1 million target. By contrast, the Committee on Climate Change […] said that we needed a further 1.5 million solid walls done in the next decade—the decade that starts in 2020—plus a further 2 million cavity walls […] it is not difficult to do the maths and conclude that the run rate in this Parliament is nowhere near adequate for what needs to be done.[94]

Predicted savings

32. Within the Spending Review, the Government predicted that from 2017–18 the average annual household energy bill would go down by £30, rising to a £35 reduction in 2020–21, as a result of their "package of measures to reduce the projected cost of green policies".[95] They claimed that the "bulk of these savings" will come from the new supplier obligation.[96] However, we heard serious concerns about how this figure was arrived at. We were told the calculations behind the predicted savings needed looking into at more detail.[97] Dr Eyre, Director at the UK Energy Research Centre, suggested that the predicted savings would not be a cost-benefit analysis and that it would be "bordering on the dishonest" to present them as such.[98] Ben Golding, Deputy Director and Head of Strategy and Finance Team, Home Energy at DECC, told the Committee that there was a complicated process behind how the Department came to the figures:

> Inevitably it uses a lot of fairly complex modelling, but it [the predicted savings] is a £30 reduction relative to the counterfactual. The average household will be paying £30 less on their bills than we estimate they would have been were the current set of policies not there.[99]

After requesting further details on this from the Department, we received additional information which explained the methodology used to calculate the impact on projected average household energy bills of the new supplier obligation.[100] The information stated that the analysis of the impact on bills from the reforms to ECO were "as compared to the previous government's ambition for a longer-term policy associated with an annual

93 Friends of the Earth (HEE0081)
94 Q152 [Dave Sowden]
95 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015), p 39
96 HM Treasury, Spending Review and Autumn Statement 2015 (November 2015), p 39
97 Q166 [Simon Roberts]
98 Q167 [Dr Eyre]
99 Q221 [Ben Golding]
100 Letter from Lord Bourne to Chair of the Energy and Climate Change Committee on Home energy efficiency oral evidence session

cost to suppliers from 1 April 2017 of around £1.3 billion on average per year (in 2011 prices)".[101] This means that the Government calculated its predicted savings to household energy bills from the introduction of the new supplier obligation by comparing its new plans for April 2017 to December 2022 (estimated £700 million 2020/21 prices) to those previously projected (£1,500 million in 2020/21 prices). It also stated that no assessment was made of the changes in energy demand (through changes in energy efficiency levels from reforming ECO) within the assessment on the impact of the new supplier obligation on energy bills.[102]

33. The new supplier obligation will represent a sharp decline in Government ambition. While we recognise it is not unusual to make comparisons to counterfactuals when considering investment plans, we believe that it was somewhat misleading to claim that the new supplier obligation would save households £32 in 2017–18. These savings can only be measured by comparing new plans to previously planned higher spending which never actually happened, rather than to actual current or past costs.

Targeting hard-to-reach and fuel poor households

34. According to figures published in 2015, 10.4% of households in England were in fuel poverty in 2013, an issue that is inextricably linked to homes with poor energy efficiency standards.[103] This was just a 0.5% improvement from 2012. The number of homes predicted to be in fuel poverty in England in 2014 and 2015 remains broadly flat, rising from 2.35 million in 2013 to 2.36 million in 2014, before dropping to 2.34 million in 2015.[104] These projections include the predicted impact of energy efficiency delivered by major Government programmes, such as ECO.[105] Fuel poverty in England is measured using the Low Income High Costs (LIHC) indicator. Under the LIHC definition, households are considered to be in fuel poverty "if they have required fuel costs that are above average [and] were they to spend that amount, they would be left with a residual income below the official poverty line".[106] In Scotland, Wales and Northern Ireland, a household is defined as fuel poor if it needs to spend over 10% of its income on keeping its home at a reasonable temperature.[107] Over 30% of all households are predicted to be in fuel poverty in Scotland, Wales and Northern Ireland respectively, according to latest figures.[108]

35. The CCC recently outlined how important energy efficiency is to tackling fuel poverty. They said that "if energy efficiency measures can be effectively targeted at the fuel poor then overall numbers in fuel poverty would fall even as costs from supporting low carbon investment increases".[109]

36. Lord Bourne told us that the new supplier obligation would be "fuel poverty-centric". He said: "In this Parliament, we are hoping to link ECO much more specifically to fuel

101 Letter from Lord Bourne to Chair of the Energy and Climate Change Committee on Home energy efficiency oral evidence session
102 Letter from Lord Bourne to Chair of the Energy and Climate Change Committee on Home energy efficiency oral evidence session
103 DECC, *Annual Fuel Poverty Statistics Report 2015*, (May 2015)
104 DECC, *Annual Fuel Poverty Statistics Report 2015*, (May 2015)
105 DECC, *Annual Fuel Poverty Statistics Report 2015*, (May 2015)
106 DECC, *Annual Fuel Poverty Statistics Report 2015*, (May 2015)
107 House of Commons Library Research Briefing, *Fuel Poverty*, (February 2016)
108 House of Commons Library Research Briefing, *Fuel Poverty*, (February 2016)
109 The Committee on Climate Change, *The Fifth Carbon Budget*, (November 2015), p18

poverty, so that we ultimately have just one measure on ECO, which is a fuel poverty measure, in 2018".[110] He also explained that 2017–18 would be a transitional year between the end of ECO and the introduction of the new supplier obligation.[111]

37. However, contributors to this inquiry raised major concerns over the use of supplier obligations to tackle fuel poverty and argued that the policy would not be an effective and suitable mechanism to reach the people who need it the most. Two major reasons were given.

A regressive approach

38. The costs of delivering a supplier obligation is passed on to all consumers through their energy bills. We were told that this was a "regressive"[112] policy because the scheme potentially increases the costs of the energy bills of those already in low-income or fuel poor homes.[113] We heard that this has the perverse effect of actually pushing households into fuel poverty.[114] The energy supplier SSE, a company obliged to deliver ECO, said:

> Funding policies such as the Energy Company Obligation (ECO) through gas and electricity bills can be regressive and mean that the most vulnerable consumers pay disproportionately more than others; ultimately this could undermine the policy as it risks pushing more people into fuel poverty by adding to energy prices.[115]

39. We also heard that the nature of the core business of energy suppliers obliged to deliver ECO was not necessarily aligned or compatible with targeting and treating those in need.[116] Dr Jan Rosenow, from the Centre on Innovation and Energy Demand at the University of Sussex, suggested that the very idea of using suppliers to assist the fuel poor was questionable because suppliers focussed on low costs:

> Energy suppliers usually target those properties where they can achieve the highest amount of savings for the smallest amount of money. That is not the fuel poverty sector […] I don't think energy companies are the best actors to deliver on fuel poverty.[117]

40. Other witnesses agreed that there was an incentive on suppliers to deliver measures as cheaply as possible.[118] We heard that this incentive had resulted in suppliers focusing on consumers who are "able or willing to contribute towards costs", whilst the most vulnerable consumers with the greatest needs were often left with no guarantee of assistance.[119] This

110 Qq188, 205 [Lord Bourne]
111 Q205 [Lord Bourne]
112 Centre On Innovation And Energy Demand, SPRU, University Of Sussex (HEE0012), SSE (HEE0017), Age UK (HEE0019), Providence Policy (HEE0022), Confederation of British Industry (HEE0035), British Gas (HEE0041), Energy UK (HEE0074), ScottishPower Supplies (HEE0091) Q17 [Peter Broad]
113 Confederation of British Industry (HEE0035), Centre On Innovation And Energy Demand, SPRU, University Of Sussex (HEE0012), SSE (HEE0017), AgeUK (HEE0019), Providence Policy (HEE0022), British Gas (HEE0041), Energy UK (HEE0074), ScottishPower Supplies (HEE0091), Q55 [Richard Twinn], E.On (HEE0117), Q64 [Lawrence Slade], Q159 [Dr Rosenow], Q168 [Simon Roberts]
114 Q168 [Simon Roberts], SSE (HEE0017), Providence Policy (HEE0022)
115 SSE (HEE0017)
116 National Housing Federation (HEE0032)
117 Q159 [Dr Rosenow]
118 Citizens Advice (HEE0080), Q3 [Peter Smith]
119 Citizens Advice (HEE0080)

has been a particular concern for those consumers in rural households off the gas grid, because it is cheaper for suppliers to focus on urban areas and homes heated by gas.[120] Holly Jago, Corporate Affairs Manager at Calor Gas, said that "there has been a persistent underdelivery of energy efficiency measures into rural areas […] not least because of the way that schemes like ECO have been designed".[121]

41. Richard Twinn, Policy Adviser at the UK Green Building Council, emphasised that using a supplier obligation to treat those in fuel poor households was very uncommon. He said that "we are the only country in Europe that uses a supplier obligation to try to tackle fuel poverty. Suppliers are not in the best position to do that".[122] The Centre on Innovation and Energy Demand, University of Sussex added that "evidence suggests that energy efficiency obligations are not very suitable to deliver energy efficiency improvements to fuel poor households".[123] Peter Broad, Policy Manager at Citizens Advice told us that "there is a question about whether these policies, ostensibly targeting fuel poverty, are getting to the people who most need it"[124] and the Energy and Utilities Alliance told us that because revenue for suppliers is generated by selling energy, they are "naturally disinclined" to undertake schemes such as ECO.[125]

42. However, the Secretary of State for Energy and Climate Change, the Rt Hon Amber Rudd MP, suggested in January 2016 that the supplier obligation was one of the best ways to address fuel poverty.[126] Lord Bourne explained that, despite looking at other possibilities, the Department had still came to the decision that it made sense for the new supplier obligation to focus on fuel poverty, adding that the supplier obligation was the "best mechanism" through which to tackle fuel poverty. [127]

Data issues

43. We heard that access to appropriate data was crucial for energy suppliers who deliver ECO to effectively target those in fuel poverty, as well as rural and low-income households.[128] However, those who have to deliver the scheme have not been able to access the right data to effectively target low-income, fuel poor and rural households. Energy UK explained that the absence of this data to suppliers made it problematic for energy companies to "effectively and efficiently […] identify households in need of support".[129] British Gas added:

> To properly target assistance at the fuel poor, a bespoke approach is required which a supplier obligation cannot offer without significant data sharing.[130]

44. Resourcematics, a company that advises on energy information, told us that access to the Home Energy Efficiency Database (which contains some information on property

120 Citizens Advice (HEE0080)
121 Q62 [Holly Jago]
122 Q55 [Richard Twinn]
123 Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012)
124 Q17 (Peter Broad)
125 Energy and Utilities Alliance (HEE0028)
126 HC Deb, 7 January 2016, col 432 [Commons Chamber]
127 Q227 & Q218 [Lord Bourne]
128 Energy UK (HEE0074), British Gas (HEE0041), Q75 [Lawrence Slade], Rockwool UK (HEE0048), E.On (HEE0117), British Gas (HEE0115)
129 Energy UK (HEE0074)
130 British Gas (HEE0041)

characteristics, heating systems and insulation installed)[131] was highly restricted and that energy suppliers and the supply chain had no access to the data it contained.[132] Ben Golding, Deputy Director, DECC said:

> The challenge comes from needing to be able to work with energy suppliers with data that does potentially identify individual households, so that they can say of their customers or those they target, "Is this particular household likely to be fuel-poor and therefore eligible for measures?" To enable targeting accurately, you need to get right down to that household-level information. For that we need additional legal powers.[133]

This lack of available data has meant that the identification and targeting of those in most need of energy efficiency measures has become a difficult and costly process.[134] Rockwool UK, the UK branch of a global supplier of insulation products, said:

> It has […] proven extremely difficult and costly to identify those households which are eligible for measures under ECO, especially the fuel poor, because government data has largely been based on modelled estimates rather than actual households.[135]

45. The lack of data has particularly affected how effectively energy suppliers have been able to target low-income and fuel poor households in rural locations. Calor Gas told us that the Government "does not currently capture" the information that would allow suppliers to differentiate between ECO delivery to "rural off-gas grid, rural on-gas grid and urban off-gas grid households".[136] This is concerning because, as the Government's own statistics show, off-gas grid properties, which are far more common in rural locations, are also much more likely to be in fuel poverty than those on the gas network.[137]

46. **The importance of tackling fuel poverty cannot be overstated. However, we have serious concerns that the Government's decision to use the new supplier obligation to do so may be misguided. The evidence we have received clearly indicates that this is the wrong approach. A scheme which places some of the costs of its delivery on the very households it is designed to help is inherently regressive. Commercial energy suppliers are not best placed to deliver fuel poverty action. Moreover, access to and sharing of individual household data is currently not possible and would probably require primary legislation.**

47. ***We recommend that DECC reconsiders its decision to use a supplier obligation to tackle fuel poverty. As a consequence the Government must re-evaluate what the best approach is to tackle fuel poverty. In order to do this, the Department must first publish the evidence which was used to determine that a supplier obligation is, in its own words, the "best mechanism" for tackling fuel poverty. This evidence must be open to public scrutiny.***

131 Energy Saving Trust, 'Introduction to HEED and HEED+,' accessed 1 March 2016
132 Resourcematics (HEE0062)
133 Q208 [Ben Golding]
134 British Gas (HEE0115)
135 Rockwool UK (HEE0048)
136 Calor Gas Ltd (HEE0014)
137 DECC, *Annual Fuel Poverty Statistics Report 2015*, (May 2015), p 41

48. ***DECC should consult on alternative approaches to tackling the serious and urgent problem of fuel poverty. DECC must give particular attention throughout this consultation to addressing how to tackle fuel poverty for those living in rural fuel poor homes.***

49. ***Accurate, accessible data on property characteristics, energy use and income are the key to tackling fuel poverty. Such data would also help drive a more targeted approach to delivering energy efficiency measures through various policies. We recommend that the Department assess what legislative changes would be needed to improve wide-scale access to- and sharing of data. DECC must provide us with details on what specific changes would need to be made to establish a comprehensive national database to support the delivery of energy efficiency measures. In its response, the Department should set out a timetable for these changes.***

Transition to the new supplier obligation

50. In light of this recommendation, we now turn to how to transition to a new supplier obligation in the years ahead. Given concerns about the stop-start nature of recent energy efficiency policies outlined in chapter 2, the transition period between ECO and the new supplier obligation emerged as a key concern to those who deliver the scheme.[138] Stakeholders informed us that, going forward, the Department should learn lessons from the difficulty caused by poorly managed transitions.[139] The Confederation of British Industry explained that:

> Detail on future plans is a priority for industry. This is particularly important as the transition from earlier schemes–the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP)–to ECO resulted in negative consequences for some parts of the energy efficiency supply chain, including job losses due to uncertain consumer demand.[140]

51. We were told that any future transition period must permit sufficient time for "engagement, full consultation and governmental response"[141] to secure a robust and well managed transition.[142] Energy UK said that this must then be followed by "adequate time for supply-chain development [and] systems changes." British Gas told us that they plan delivery of ECO measures up to two years in advance[143] and E.On said that a two year extension of ECO was "more appropriate than the proposed 12 months" to allow a successful transition.[144] However, Lord Bourne told us:

> I accept the need for certainty and coherence. I would not necessarily say that we have achieved that in all programmes, but with ECO, we have a very clear timeline. The present system is there until 2017; we then have a transitional year, and we are issuing details of how it will operate.[145]

138 ScottishPower Supplies (HEE0091), British Gas (HEE0041), Energy UK (HEE0074), Confederation of British Industry (HEE0035), Saint-Gobain (HEE0076), British Gas (HEE0115), E.On (HEE0117)
139 British Gas (HEE0041)
140 Confederation of British Industry (HEE0035)
141 Energy UK (HEE0074)
142 E.On (HEE0117), Energy UK (HEE0074), ScottishPower Supplies (HEE0091)
143 British Gas (HEE0115)
144 E.On (HEE0117)
145 Q214 [Lord Bourne]

52. **The impending transition period between the Energy Company Obligation and the new supplier obligation must not repeat the mistakes of the badly handled transition from the Community Emissions Reduction Target and the Community Energy Saving Programme to the Energy Company Obligation, which had unintended consequences for industry and the supply chain.**

53. ***In the light of industry concerns regarding a carefully managed transition period, and our earlier recommendation that DECC reconsiders its decision to use a supplier obligation to tackle fuel poverty, we recommend the following:***

i) ***ECO, in its current form, should be extended until March 2018 in order to provide stability to the supply chain while a new supplier obligation is developed.***

ii) ***A transition period should be established between the end of the Energy Company Obligation and the new supplier obligation—this should run from April 2018 to March 2019 as a minimum—with the new obligation commencing no earlier than April 2019;***

iii) ***The Department must immediately launch a consultation on the design of the new supplier obligation to be introduced in 2019.***

4 Creating a clear, long term framework for energy efficiency

54. A number of contributors to our inquiry were concerned that there had been a lack of strategic direction and stability with home energy efficiency policy in recent years.[146] Peter Broad, Policy Manager at Citizens Advice, told us that "we don't have a strong vision from Government about where we want to go with energy efficiency and what we want people to do in the long term".[147] We also heard that it was vital that DECC acts with a "sense of renewed momentum"[148] and demonstrates commitment to setting and maintaining a steady direction on home energy efficiency with long-term delivery ambitions.[149] This long-term certainty is crucial if consumers, landlords and industry are to engage with and invest in home energy efficiency.[150] Our *Investor confidence into the UK energy sector* inquiry also highlighted the need for the Government to provide a strategy which set out a clear pathway to meeting its long-term objectives.[151]

55. We have heard about the three broad approaches to tackling energy efficiency which have been utilised in recent years: the use of regulations; the use of supplier obligations; and the use of subsidies, such as loans and grants. In the last chapter, we discussed the future of the supplier obligation, which appears to be DECC's current policy focus in the area of energy efficiency. In this chapter, we set out our views on other initiatives we believe are required in order to provide a clear, durable and long-term framework for energy efficiency.

56. The key areas are:

a) Stimulating the 'able-to-pay' market by:

   i) re-introducing attractive finance options,

   ii) driving demand through incentives, and iii) communicating the broader benefits of energy efficiency;

b) Enabling locally-led delivery;

c) Encouraging the use of technology to reduce energy demand;

d) Making energy efficiency a cross-Government priority;

e) Developing robust regulations for new homes.

146 Confederation of British Industry (HEE0035), Q22 [Peter Broad], Ricardo Energy & Environment (HEE0033), British Board of Agrement (HEE0039), Association for the Conservation of Energy (HEE0042)

147 Q22 [Peter Broad]

148 Confederation of British Industry (HEE0035)

149 Energy Saving Trust (HEE0085), EDF Energy (HEE0069), Q32 [Richard Twinn] Q50 [Councillor Fleming], UCL (HEE0020), Insulated and Render Cladding Association (HEE0026), Ofgem (HEE0036), Confederation of British Industry (HEE0035), Citizens Advice (HEE0080), E.ON (HEE0078), Sustainable Energy Association (HEE0015), Ricardo Energy and Environment (HEE0033), Glazing Supply Chain Group (HEE0046), UKERC (HEE0050), Glass and Glazing Federation (HEE0053), Mears (HEE0068), Certinergy UK Ltd (HEE0006) Age UK (HEE0019)

150 Citizens Advice (HEE0080), Confederation of British Industry (HEE0035), Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012)

151 Energy and Climate Change Committee, *Third Report of Session 2015–16, Investor Confidence in the UK energy sector*, HC 542

Stimulating the 'able-to-pay' market

57. Now that funding for the Green Deal has ended there is effectively no Government support to help 'able-to-pay' households engage and invest in energy efficiency measures. However, we have been told that having a scheme aimed at 'able-to-pay' households is a "vital part of the solution to inefficient homes"[152] and that therefore a new scheme and assistance for these households must be considered and developed going forward.[153]

Lord Bourne told us that "the No. 1 priority in the home energy area at the moment […] is getting ECO right and tackling the fuel poverty issue". He added: "That doesn't mean [other work on energy efficiency] is not happening, but it is happening more slowly. I don't want to mislead you by suggesting that we've done masses of work on this at the moment".[154]

58. **It is crucial that the Department renews its efforts to drive demand for energy efficiency for the 'able-to-pay' in this Parliament. It is disappointing that DECC is not prioritising addressing this issue, especially after the failure and subsequent ending of the Green Deal and given that the shortcomings of this scheme have been known for a long time. We set out below the action we believe the Department must now take to encourage and drive demand for energy efficiency in 'able-to-pay' households.**

59. In order to stimulate the 'able-to-pay' market, we heard that three main issues had to be addressed to drive demand. First, financing options must be re-introduced to help households make energy efficiency improvements.[155] Second, long-term incentives must be developed and be at the forefront of any future approach for the 'able-to-pay' market.[156] Third, there must be a refreshed approach to the way in which the benefits of improved household energy efficiency are communicated to consumers.[157]

Re-introducing attractive financing options

60. Despite the shortcomings of the Green Deal, the scheme did establish a mechanism which presented consumers with a "reasonably good" way of financing energy efficiency measures in their properties.[158] Simon Roberts, Chief Executive of the Centre for Sustainable Energy, told us that the 'pay-as-you-save' model was a "key component that was [previously] missing as a tool in the market",[159] and Phillip Sellwood, Chief Executive of Energy Saving Trust, added that the introduction of the financing model had enabled

152 Age UK (HEE0019)

153 Confederation of British Industry (HEE0035), British Gas (HEE0041), Community Energy Plus (HEE0045), Rockwool UK (HEE0048), Mineral Wool Insulation Manufacturers Association (HEE0055), RWE npower (HEE0063), EDF Energy (HEE0069), Q9 [Peter Smith]

154 Q250 [Lord Bourne]

155 Confederation of British Industry (HEE0035), Tyndall Centre for Climate Change Research (HEE0037), British Board of Agrement (HEE0039), Country Land and Business Association (HEE0051), Mineral Wool Insulation Manufacturers Association (HEE0055), Renewable Energy Association (HEE0059)

156 Confederation of British Industry (HEE0035), UKGBC (HEE0087) Q70 [Lawrence Slade], Q42 [Peter Smith], Q12 [Peter Selwood], Saint-Gobain (HEE0076)

157 Q177 [Dr Rosenow], Q140 [Dr Eyre], RWE npower (HEE0063), Citizens Advice (HEE0080), Q177 [Simon Roberts]

158 Q9 [Philip Sellwood]

159 Q144 [Simon Roberts]

consumers, who wanted to do something, to take substantial steps in improving their household's energy efficiency.[160] We heard that the concept itself was "simple and robust"[161] but that ultimately the scheme had suffered from "poor implementation".[162]

61. We were told that the mechanisms and infrastructure that had enabled pay-as-you-save-based lending remained in place and could potentially be brought back into action in any future attempts to drive home energy efficiency for the 'able-to-pay'.[163] Mark Bayley, former Chief Executive of the GDFC, explained that:

> We have set up the infrastructure for lending on a pay-as-you-save basis. That infrastructure will be fully funded for many years, funded by the book of £50 million-worth of Green Deal finance plans, so in that sense we have achieved something of lasting benefit, because as a default record of that book becomes established, in principle it can be reactivated with private sector funding and, very importantly, can contribute towards home energy efficiency.[164]

DECC added that:

> The Government has made it clear that it will maintain the underlying systems of the Green Deal, at least for now, as the Company holds discussions with potential private-sector investors. These systems remain available both to the GDFC and to any other company wishing to use them to provide pay as you save finance to consumers. We will keep this position under review in light of interest in use of the systems from GDFC or other companies.[165]

62. The reintroduction of financial enablers is particularly important for landlords, who will be compelled by law to have a minimum energy efficiency standard (MEES) by April 2018 (see para 12).[166] Without the Green Deal, landlords currently have little financial assistance available to help achieve this.[167] The Association for Conservation of Energy explained:

> The introduction of minimum efficiency standards for the Private Rented Sector was based on the assumption that the Green Deal would offer a finance mechanism for landlords, thus ensuring that the required improvements could be delivered without upfront cost: the withdrawal of Government support for the Green Deal Finance Company has now put this mechanism at risk and hence also the effectiveness of the minimum efficiency standard itself.[168]

The Residential Landlords Association added:

> Notwithstanding the introduction of compulsion from April 2018 onwards the Government has systematically abandoned support for the PRS. The Green Deal has effectively ended and ECO is either non-existent or rationed with an

160 Q9 [Philip Sellwood]
161 National Housing Federation (HEE0032)
162 Builders Merchants Federation (HEE0082)
163 Q90 [Mark Bayley]
164 Q90 [Mark Bayley]
165 DECC (HEE0105)
166 DECC, *Private Rented Sector Energy Efficiency Regulations (Domestic)*, (February 2015)
167 Q179 [Dr Rosenow], Association for the Conservation of Energy (HEE0042), Rockwool UK (HEE0048), Q58 [Dave Princep]
168 Association for the Conservation of Energy (HEE0042)

> uncertain future. ECO is meant to be a key enabler for the Affordable Warmth Group including tenants in receipt of various benefits, who are the most likely to be in fuel poverty. Energy suppliers have already spent much of the ECO money with limited results for the PRS. Minimum standards were predicated on the availability of both Green Deal funding and ECO. This demonstrates the mess currently surrounding Government policy.[169]

63. Lord Bourne suggested that the Department would probably look into what kind of assistance would be available to landlords in the absence of the GDFC. He said: "I think we have to look at how we ensure that that obligation [MEES] remains effective and how it is abided by […] We need to ensure that landlords have the means of delivering on that particular obligation.[170]

64. ***The establishment of the infrastructure behind pay-as-you-save based lending is an important legacy of the Green Deal. This infrastructure could play an important role in facilitating future energy efficiency measures in the 'able-to-pay' market. We recommend that the Government carries out an assessment of the value of reinstating a pay-as-you-save mechanism based on the GDFC infrastructure.***

65. ***DECC must specifically detail what assistance and tools will be available to landlords, some of whom will have to make considerable and costly improvements to their properties in order to comply with the minimum energy efficiency standards (MEES) to be introduced in April 2018.***

Driving demand through incentives

66. We were told that having a financing mechanism alone would not be enough to drive consumer demand for energy efficiency measures and additional incentives were needed to drive this demand.[171] Witnesses called for Government to take steps to create "the right environment for engaging consumers and driving demand"[172] for energy efficiency amongst 'able-to-pay' households. It was suggested that mechanisms such as the adjustment of stamp duty or of the council tax rate of a household according to its energy efficiency standards might be a useful approach.[173] Our predecessors were also interested in these ideas. They said in 2014 that stamp duty discounts or variable council tax rates "could encourage more homeowners and households to improve the energy efficiency ratings of their properties" and urged DECC and the Treasury to consider them.[174] The Department did not directly respond to this particular recommendation.[175] Witnesses to

169 Residential Landlords Association (HEE0052)

170 Qq260, 266 [Lord Bourne]

171 Saint-Gobain (HEE0076)

172 Confederation of British Industry (HEE0035)

173 Energy UK (HEE0074), Energy Saving Trust (HEE0085), UKGBC (HEE0087), Saint-Gobain (HEE0076), E.ON (HEE0078), Centre for Sustainable Energy (HEE0083), ScottishPower Supplies (HEE0091), Knauf Insulation (HEE0095), WWF UK (HEE0106), Certinergy UK Ltd (HEE0006), Sustainable Energy Association (HEE0015), Age UK (HEE0019), Confederation of British Industry (HEE0035), British Board of Agrement (HEE0039), Association for the Conservation of Energy (HEE0042), Rockwool UK (HEE0048), Mineral Wool Insulation Manufacturers Association (HEE0055)

174 Energy and Climate Change Committee, Third Report of Session 2014–15, The Green Deal: watching brief (part 2), HC 348, p 35

175 Energy and Climate Change Committee, Fifth Special Report of Session 2014–15, The Green Deal: watching brief (part 2) Government's Response to the Committee's Third Report of Session 2014–15, HC882

this inquiry have reiterated that such measures would provide a long-term indicator from Government that it believed energy efficiency to be an important issue worth investing in.[176] Philip Sellwood, from the Energy Saving Trust, explained that:

> There is a pretty good track record over the last 10 or 12 years of research, which is around incentives for council tax, stamp duty and other fiscal measures, most of which have proved to be fiscally neutral and have been very powerful […] Those are things that have been proved to be effective.[177]

67. Lord Bourne indicated that the Department was now looking into using varied rates of council tax and stamp duty as potential ways to encourage households to improve their energy efficiency. He said:

> In terms of looking at the possible future landscape and possible incentives and so on, it is something on which we are surveying opinion to see what is the nudge that is needed, because the Green Deal did not work. What nudge is needed? Is it in terms of an incentive against taxes that are not necessarily terribly popular, like stamp duty or council tax, or is there some other way we could move forward? […] We are looking […] at stamp duty and council tax as possible levers, but it will take some time.[178]

68. ***We welcome the fact that the Department is looking into using varied stamp duty and council tax rates as levers to incentivise households to undertake energy efficiency improvements. We urge the Department to work with the Treasury to develop straightforward policy options and publish an impact assessment of these options. Complex policies must not get in the way of delivering energy efficiency objectives. The Government must ensure that support mechanisms are in place to ensure that vulnerable households and fuel-poor consumers are not negatively impacted from the introduction of such incentives.***

Communicating the broader benefits of energy efficiency

69. There are multiple reasons that drive households to make the decision to invest in energy efficiency. The failure of the Green Deal to recognise the factors beyond financial savings was one of the key reasons behind its inability to drive demand.[179] The way in which the Green Deal was communicated and marketed to consumers did not encourage households "who were not already considering installing energy efficiency measures to do so".[180] We were repeatedly told that improved comfort was one of the key drivers of energy efficiency improvement.[181] Joanne Wade, Director of the Association for Conservation of Energy, explained that, while reducing carbon emissions and lower energy bills are important to some, the reason to make energy efficiency improvements for a majority was to have "a nicer home to live in".[182] RWE npower agreed that consumers "attach more

176 Q22 [Peter Broad], Q51 [Joanne Wade]
177 Philip Sellwood [Q12]
178 Q199 [Lord Bourne]
179 Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012)
180 Citizens Advice (HEE0080)
181 Certinergy UK Ltd (HEE0006), Energy Technologies Institute (HEE0011), AgeUK (HEE0019), Residential Landlords Association (HEE0025), Association for the Conservation of Energy (HEE0042), Rockwool UK (HEE0048), RWE Npower (HEE0063), EDF Energy (HEE0069), E.ON (HEE0078), Public Health England (HEE0112), Mears (HEE0068)
182 Q45 [Joanne Wade]

value to personal comfort and their health" than what they called the "more abstract ideas of reducing carbon or 'being green'".[183] AgeUK explained that the marketing focus on the financial aspects of the Green Deal meant that other important messages were missed:

> The Green Deal […] was marketed as a financial proposition, and seen as boring and disruptive. This approach did not reflect the multiple factors that motivate people, such as health and comfort. Nor did it differentiate its marketing to people in difference circumstances.[184]

70. We also heard from Public Health England that there are other important household benefits to improved energy efficiency, including wider societal benefits like "mental well-being, reduced contacts with the health service and [reduced] absence from school or work", were important drivers.[185] These benefits are hard to quantify and it is possible that spending on energy efficiency results in savings in other Government departments which benefit both citizens and the state. Dr Jan Rosenow summarised that, in order to appeal to a wider range of consumers, a new approach to communication should focus on some of these other benefits of energy efficiency:

> The focus that we had […] with the Green Deal on the financial proposition - 'you can save lots of money' - is limited. You are limiting yourself to a very small segment of consumers, so I believe refocusing the engagement process more towards comfort, quality of life and the value of your property would be much more effective than just focusing on the financial gains.[186]

71. We were also told that, as well as focusing on improving the content of the message being communicated to consumers, it was important to address who was delivering the message to households and when this message is delivered. Dr Eyre, Director of UK Energy Research Centre, said:

> What is critical is getting the right message at the right time […] you need the right message at the point of sale. You need the right message at the key point of intervention and you need more than just messages. You need practical, pragmatic advice.[187]

Citizens Advice suggested that engagement with consumers on home energy efficiency is better done by organisations who are close to the customer, which can include both commercial organisations and those delivering "front-line" services.[188] Simon Roberts, CEO of Centre for Sustainable Energy, said that the people suited to carrying the message about energy efficiency are individuals or groups who have an "energy-related interest in how [people] are living [their] life", such as health professionals, people fixing a household's boiler or builders renovating homes.[189]

72. When asked what the Government was doing to ensure that the messaging of future energy efficiency programmes went beyond value-for-money criteria, Lord Bourne

183 RWE npower (HEE0063)
184 AgeUK (HEE0019)
185 Public Health England (HEE0112)
186 Q177 [Dr Rosenow]
187 Q177 [Dr Eyre]
188 Citizens Advice (HEE0080)
189 Q177 [Simon Roberts]

claimed that "we are on to that, and we certainly recognise as a Department that it is not just about financial incentive. Comfort clearly applies across the board, whatever the nature of the tenure—whether it is owned or rented".[190]

73. Various stakeholders also explained the idea of communicating the benefits of energy efficiency to households through "roadmaps", showing consumers exactly what steps they can take to improve their energy efficiency and reduce demand.[191] We were told that this could help home owners realise the energy efficiency opportunities for their household.[192] Joanne Wade, from the Association for the Conservation of Energy, said:

> What we would prefer to see is something like a renovation road map given to people […] The road map says, "Here is how you gradually renovate your whole building. If you are having your roof repaired think about doing this. If you are replacing your boiler do not forget to get your control system right". It takes the householder through quite visually the journey they could take with their home rather than just going, "Here is a list". I think that would be much more effective in communicating and enabling householders to do this.[193]

74. **There are multiple benefits to improving home energy efficiency. However, these benefits have not been clearly communicated to households, which is a principal reason behind the failure of previous schemes to drive demand. We welcome that the Department recognises that making home energy efficiency improvements is not simply driven by financial incentives.**

75. ***DECC should bring together health services, charities, housing developers, supply chain representatives, industry groups and consumers to form a group to consult with and determine the most effective way to communicate the benefits of energy efficiency to 'able-to-pay' households. The Department should also commission, and publish, research to help it understand behaviour change in energy efficiency and demand reduction. This will help to identify how to use the right message at the right points of intervention. We also recommend that the Department works with industry to develop and publicise 'roadmaps' which set out and make clear what steps individual households can take to improve their energy efficiency.***

Enabling locally-led delivery

76. Many stakeholders called for locally-led delivery to be a central part of the Department's future strategic direction for energy efficiency policy.[194] We heard that local authorities were best placed to deliver energy efficiency schemes because of their knowledge and understanding of local areas.[195] Councillor Peter Fleming, member of the Local Government Association Environment, Economy, Housing and Transport Board, said:

190 Q250 [Lord Bourne]
191 Q60 [Joanne Wade], Association for the Conservation of Energy (HEE0042), Energy Saving Trust (HEE0085)
192 Energy Saving Trust (HEE0085)
193 Q43 [Joanne Wade]
194 Local Government Association (HEE0044), Which? (HEE0027), Citizens Advice (HEE0080), Association for the Conservation of Energy (HEE0042), UKGBC (HEE0087), Calor Gas (HEE0014), Hampshire County Council (HEE0004)
195 Q54 [Joanne Wade], Q75 [Holly Jago], Q52 [Councillor Fleming]

> Councils are probably best placed to tackle fuel poverty […] and increase the energy efficiency of homes. Councils understand their communities probably better than anybody else and, therefore, are best placed to be right at the forefront of these changes.[196]

The Renewable Energy Association added that:

> While central government energy efficiency policies have been scrapped or amended, Local Authorities have been well placed to understand their own building demands and work with local contractors to deliver cost effective solutions for energy efficient buildings.[197]

77. Local approaches could be particularly useful in providing assistance to vulnerable households in rural and remote island communities. A report by Citizens Advice said that "using local networks" to promote energy efficiency services is "particularly important in rural […] areas".[198] Holly Jago, Corporate Affairs Manager at Calor Gas, explained to us that there are a considerable number of organisations that work in rural areas who could be funded to work "in partnership" with local councils in order to better deliver energy efficiency to rural homes.[199]

78. Witnesses also suggested that area-based schemes could greatly improve the delivery of energy efficiency improvements.[200] Dr Jan Rosenow, from the University of Sussex, added that:

> The whole approach of identifying someone at the doorstep and having to fill in some paperwork is wrong. It would be better to have something like an area-based scheme, where your local authorities can play a much larger role and just say, "This area has a high degree of fuel poverty" and everybody who lives in that area can benefit from a programme. You avoid that whole stigma of going round people's houses and asking them, "Are you on benefits? Are you poor? Are you deserving?" That is the wrong approach, and there is lots of evidence that suggest that is not the most effective way of identifying people in fuel poverty.[201]

79. Witnesses suggested to us that the Government should draw lessons from the local area-based approach of the Home Energy Efficiency Programme (HEEPS) in Scotland.[202] We were told that this scheme provided funding for local authorities to "deliver in the most appropriate way for their housing stock".[203] This helped to allow for a true area based approach which fostered strong relationships between local authorities and communities and delivered a more integrated policy than in England.[204] The consumer organisation Which? said that HEEPS addressed the lack of trust consumers have had for past schemes.[205] They added:

196 Q32 [Councillor Fleming]
197 Renewable Energy Association (HEE0059)
198 Citizens Advice, Closer to Home, (May 2015), accessed 1 March 2016
199 Q76 [Holly Jago]
200 Providence Policy (HEE0022), Which? (HEE0027), Q162 [Dr Jan Rosenow], British Gas (HEE0041), Cibse (HEE0052), Citizens Advice (HEE0080)
201 Q162 [Dr Jan Rosenow]
202 Q6 [Peter Broad], Which? (HEE0027), Q75 [Holly Jago]
203 Q75 [Holly Jago]
204 Which? (HEE0027), Q6 [Philip Sellwood]
205 Which? (HEE0027)

> The use of a scheme like [HEEPS] capitalises on consumers' needs for a simple, hassle free solution. The area-based approach can, if done well, deliver a smoother and quicker customer journey, avoiding the dissatisfaction that can arise when surveys and installations take longer than expected. It also effectively addresses the needs of all consumers, from those in areas of the highest fuel poverty, to the able to pay.[206]

80. Simon Roberts, Chief Executive of the Centre for Sustainable Energy, explained that a national framework was needed to allow potential locally-led delivery to take place.[207] Dave Sowden, from the Sustainable Energy Association, added that "the most important thing [was] to get the national framework right so that local authorities can play their role as a partner".[208] Joanne Wade, Director of the Association for Conservation of Energy, told us that local authorities needed a "long-term guarantee" to develop their capabilities in delivering home energy efficiency.[209] One idea is that the Government should encourage local authorities to designate specific zones to focus on delivering energy efficiency to households.[210] A Citizens Advice report into local energy efficiency explained how "warm zones" worked. It said that to engage hard-to-reach households and households in remote or deprived areas:

> Zones use a concerted partnership approach, building links and referral mechanisms with local agencies over time. They find 'gap funding' to assist fuel poor and vulnerable homes that are missing out under the ECO.[211]

One example of good practice that we were made aware of was the 'Kirklees Warm Zone', which offered free loft and cavity wall insulation to every eligible household in the designated zone. An assessment of this initiative concluded that this sort of programme was very worthwhile.[212]

81. However, stakeholders also raised concerns about the capability and capacity of local authorities to deliver energy efficiency programmes.[213] We were warned that, whilst some authorities would have the capacity to deliver, this might not be the case for all local councils, some of which do not have the resources or staff to deliver and could therefore struggle.[214] We were also told that it was crucial that data was shared with local authorities so that they could effectively target and deliver programmes to homes in need.[215]

82. Lord Bourne told us that DECC recognised the benefits of locally-led delivery:

> Almost inevitably local delivery is more effective; it's trusted, it has the local knowledge and it can react more quickly. We are certainly encouraging the energy companies to speak to local authorities and others to ensure that the action they take in a particular locality is appropriate.[216]

206 Which? (HEE0027)
207 Q171 [Simon Roberts, Jan Rosenow]
208 Q171 [Dave Sowden]
209 Q54 [Joanne Wade]
210 AgeUK (HEE0019), Cibse (HEE0052), National Energy Action (HEE0031), Q171 [Dr Rosenow]
211 Citizens Advice, Closer to Home, (May 2015), accessed 1 March 2016
212 Carbon Descent, *Kirklees Warm Zone Economic Impact Assessment*, (May 2011)
213 Q171 [Dr Eyre, Dr Rosenow] Q54 [Joanne Wade]
214 Q54 [Joanne Wade] Q171 [Dr Rosenow] Q171 [Dr Eyre]
215 AgeUK (HEE0019)
216 Q242 [Lord Bourne]

83. **Locally-led and area-based approaches have the potential to greatly improve the delivery of energy efficiency policies if these are well planned and sufficiently resourced.**

84. ***We recommend that the Department develops a national framework to facilitate and support locally-led delivery of energy efficiency. Within this framework, the Government should set out good practise and a guide to different ways in which local authorities can work in partnership with other key players (charities, health services, energy suppliers and other relevant organisations) to deliver energy efficiency measures. Examples of good practice include HEEPS in Scotland and the use of 'warm zones'.***

Encouraging the use of technology to reduce energy demand

85. Many stakeholders have highlighted the potential for the roll-out of smart meters, as well as the use of other technologies, to help households reduce their energy demand and improve efficiency.[217] We were told that the roll-out of smart meters across the UK could provide the "catalyst" for an approach to household energy which rewards efficiency and behaviour change[218], and that it was therefore important that energy efficiency is considered alongside the delivery of the meters.[219] Additionally, we heard that the smart meter roll-out represented a valuable opportunity for trained installers and suppliers to visit and inform households of the various benefits of energy efficiency.[220] The UK Energy Research Centre said:

> The proposed [smart meter] roll-out is unique, in that it aims to involve customers in using their meters to understand and manage demand […] Evidence from the first 2-3 years of installations is that this has been broadly effective, with measured reductions of 2.3% in electricity consumption and 1.5% in gas compared with traditionally-metered customers.

Lord Bourne emphasised the importance of the smart meter roll-out:

> We should not ignore the impact of smart meters on helping all consumers, businesses as well as families and single-person households, with their energy bills. When this is rolled out, as it will be, they will no longer have estimated bills. All the evidence so far, from the vast majority of households who have smart meters already […] is that bills are coming down. That is good news on fuel poverty and across the piece really, including on carbon footprint. We have to realise that that is an important part of the mix as well.[221]

Making energy efficiency a cross-Government priority

86. Making energy efficiency a national infrastructure priority would drive demand amongst households, attract investment, create a sustainable and durable long-term policy view that "goes beyond parliamentary cycles".[222] This approach would put energy efficiency

217 Energy and Utilities Alliance (HEE0028), Confederation of British Industry (HEE0035), Beama (HEE0049), British Gas (HEE0041), Passivsystems Limited (HEE0094), Energy Research Accelerator (HEE0096), Behaviour Change (HEE0018) UKERC (HEE0050)
218 Beama (HEE0049)
219 Confederation of British Industry (HEE0035)
220 British Gas (HEE0041) Beama (HEE0116)
221 Q269 [Lord Bourne]
222 Confederation of British Industry (HEE0035)

much more at the forefront of energy policy making.[223] A report by Frontier Economics in 2015 concluded that when compared to infrastructure projects like the first phase of HS2 and the roll-out of smart meters, energy efficiency provided "very comparable monetary benefit".[224] One option would be to give the responsibility for the oversight of energy efficiency policies to the newly established National Infrastructure Commission.[225] We were told that this would "free up capital funding" and ensure that delivering the benefits of energy efficiency did not rest solely with DECC.[226] We also heard it might help to ensure that policies were not "susceptible to decisions driven by short-term political priorities".[227]

87. Lord Bourne told us:

> Energy efficiency is certainly a priority for the Government; I am not sure I would necessarily term it infrastructure, but it is certainly a priority. As I have indicated, it was a priority for us going into the election, and it remains a priority now. It informs and helps deliver low-carbon, affordable and secure energy.[228]

88. In our recent report into *Investor confidence in the UK energy sector*, we recommended to the Government that the National Infrastructure Commission had an "explicit requirement to consider the infrastructure requirements of meeting the UK's carbon budgets and long-term legally binding carbon reduction targets".[229]

89. ***We recommended in our recent report on 'Investor confidence in the UK energy sector' that the National Infrastructure Commission must consider the infrastructure requirements of meeting the UK's carbon budgets and long-term legally binding carbon reduction targets. Energy efficiency will be a crucial part of the mix. The Government and the National Infrastructure Commission should assess the potential benefits of designating energy efficiency as a national infrastructure priority.***

90. Witnesses discussed the importance and benefits of cross-governmental cooperation for making homes more energy efficient.[230] Richard Twinn, Policy Advisor at UK Green Building Council, suggested that energy efficiency "stretches across Treasury, Department of Health, CLG [Department of Communities and Local Government] - not just DECC".[231] RWE npower noted that:

223 Age UK (HEE0019), Providence Policy (HEE0022), Confederation of British Industry (HEE0035), WWF (HEE0106), National Energy Action (HEE0113), Energy Technologies Institute (HEE0011), Association for Conservation of Energy (HEE0042), Community Energy Plus (HEE0045), Rockwool UK (HEE0048), Cibse (HEE0052), Q153 [Mr Sowden], Mineral Wool Insulation Manufacturers Association (HEE0055). Frontier Economics, '*Energy Efficiency: An infrastructure priority,*' (September 2015), accessed 1 March 2016, Verco and Cambridge Econometrics, '*Building the Future: The economic and fiscal impacts of making homes energy efficient,*' (October 2014), accessed 1 March 2016, UKGBC, '*A housing stock fit for the future: Making home energy efficiency a national infrastructure priority,*' (August 2014), accessed 1 March 2016

224 Frontier Economics, *Energy Efficiency: An infrastructure priority*, (September 2015), accessed 1 March 2016

225 National Energy Action (HEE0113), Q164 [Dave Sowden], WWF (HEE0106), Providence Policy (HEE0022), Association For The Conservation Of Energy (HEE0042), Confederation of British Industry (HEE0035)

226 WWF (HEE0106)

227 Association For The Conservation Of Energy (HEE0042)

228 Q189 [Lord Bourne]

229 Energy and Climate Change Committee, *Third Report of Session 2015–16, Investor Confidence in the UK energy sector*, HC 542

230 RWE npower (HEE0063), Q24 [Peter Smith], Q32 [Richard Twinn], WWF (HEE0106),

231 Q32 [Richard Twinn]

> Any future [energy efficiency] schemes […] must be part of a wider governmental strategy to raise awareness of the importance of energy efficiency, and should involve multiple governmental departments; particularly Treasury, Department for Communities and Local Government, the Department of Health and the Department for Work and Pensions in its creation. Complementary reforms across multiple departments would deliver a single, joined up message regarding the importance of improved energy efficiency from the government, and is more likely to create the necessary culture and attitudes that are needed to create a sustainable 'able-to-pay' market for energy efficiency measures.[232]

91. The Secretary of State informed us in January 2016 that there is cross-governmental collaboration in the form of an "inter-ministerial group on Clean Growth".[233] We were told that this group discussed issues relating to de-carbonisation and the carbon budgets, and that meetings were attended by officials from a number of relevant departments.[234] We sought further information in an exchange of correspondence and were informed that the group was not a formal Cabinet Committee.[235] Given the importance of clean growth, we question why the Inter-Ministerial Group on Clean Growth does not have Cabinet Committee status. We also note that, alongside Cabinet Committees, a number 'Implementation Taskforces' have been established to "to monitor and drive delivery on the Government's most important crosscutting priorities".[236] The Secretary of State told us that the Department would not comment on membership of the group or the frequency and timing of its meetings in order to "protect the integrity of the policy making process".[237]

92. **The establishment of an 'inter-ministerial group on clean growth' to drive cross-departmental collaboration on issues relating to the carbon budgets and de-carbonisation is a positive step by the Government. However, it is unclear to us how the Government's current position to supress information on the group's membership and the frequency and timing of its meetings protects the integrity of the policy making process. It is unclear whether energy efficiency is discussed within this group.**

93. ***We recommend that the Inter-Ministerial Group on Clean Growth is re-cast as a formal Cabinet Committee. Its membership must be published. We recommend that the Secretary of State for Energy and Climate Change is Chair and that it should include representatives from the Department of Health, Department of Communities and Local Government, Department of Work and Pensions, Department for Business, Innovation and Skills, Department for Transport, Department of Environment, Food & Rural Affairs and the Treasury.***

94. ***Alongside this, we recommend that the Government sets up an Implementation Taskforce for energy efficiency. We recommend that representatives from the same Departments outlined above are members of this Taskforce, which should also be***

232 RWE npower (HEE0063)

233 Letter from Secretary of State the Rt. Hon Amber Rudd MP to Chair of the Energy and Climate Change Committee on the Outcomes of Paris COP21

234 Letter from Secretary of State the Rt. Hon Amber Rudd MP to Chair of the Energy and Climate Change Committee on the Outcomes of Paris COP21

235 Q195 [Ben Golding]

236 Cabinet Office, *List of Cabinet Committees*, (June 2015), p 13

237 Letter from Secretary of State the Rt. Hon Amber Rudd MP to Chair of the Energy and Climate Change Committee on the Inter-Ministerial Group on Clean Growth

chaired by the Secretary of State for Energy and Climate Change. The terms of reference for the Taskforce should be: Driving energy efficiency across the UK as part of a wider strategy to tackling the energy trilemma. The Taskforce should publically report, on an annual basis, the Government's progress towards achieving a step-change in driving energy efficiency across the UK.

Developing robust regulation for new homes

95. In December 2006, the then Government promised that all new homes would be 'zero carbon' from 2016. This would require all new homes to mitigate all the carbon emissions produced on-site. In 2014 the then Coalition Government reiterated the commitment to delivering zero carbon homes in 2016. However, as we explained earlier, the zero carbon homes policy has been scrapped. After this decision was made, as many as 246 businesses from the construction, property and renewable energy industries, urged the Chancellor to reconsider.[238] Stakeholders emphasised the importance of the policy in this inquiry. Zero Carbon Hub told us that "it is important to see the necessity for strong energy efficiency and low carbon standards for homes within government regulations".[239] Dave Sowden, CEO of the Sustainable Energy Association, told us that the policy brought important benefits to the energy efficiency industry:

> We did have a world-leading policy [zero carbon homes]. We implemented the first step of it. That inspired quite a lot of confidence. We had members who invested and built factories on the back of that first move and were then badly let down by the watering down of the subsequent stages.[240]

96. We were told that the policy should have been considered as an investment, rather than a cost. This is because installing upfront energy efficiency measures in new homes helps to avoid mass-scale and costly retrofits in the future.[241] Dave Sowden, Sustainable Energy Association, suggested said that the value of lower energy bills in new homes was not considered in the decision to scrap the policy.[242] Simon Roberts, CEO of Centre for Sustainable Energy, said:

> The extra cost has been the argument for getting rid of the target. That is because we are thinking about it as a cost rather than as an investment. If we see it as a long-term return of making houses more energy efficient, in terms of its stimulus for the economy, it would be far more positive than the small saving we will get on house builder costs now.[243]

97. A number of witnesses told us that the Government should reinstate the policy.[244] A report by the House of Lords Select Committee on National Policy for the Built Environment recently recommended that the Government should reverse its decision to remove the zero carbon homes policy, and suggested that it sets out and implements a new trajectory towards energy efficiency in new homes.[245]

238 UKGBC, '*Over 200 businesses urge Chancellor to reconsider scrapping zero carbon*' accessed 1 March 2016
239 Zero Carbon Hub (HEE0029)
240 Q154 [Dave Sowden]
241 Zero Carbon Hub (HEE0029), Q183 [Simon Roberts], Q184 [Dave Sowden]
242 Q184 [Dave Sowden]
243 Q183 [Simon Roberts]
244 Q181 [Simon Roberts, Dr Rosenow, Dave Sowden, Dr Eyre]
245 National Policy for the Built Environment Lords Committee, Report of Session 2015–16, *Building better places*, HL Paper 100

98. Lord Bourne explained to us that one of the reasons behind the decision to remove the zero carbon homes policy was to allow more homes to be built.[246] He also recognised the importance of Government regulation to encourage energy efficiency in new homes:

> We need regulation, specifically on the zero-carbon homes. [The decision to remove the policy] is to give a respite, really, to concentrate on another area of Government activity, which is the need for more building. We may revisit that; we are looking at other measures.[247]

99. ***Zero carbon homes was an ambitious policy which was a positive step towards ensuring that all new homes are energy efficient. Whilst we recognise the Government's desire to stimulate housebuilding, the unexpected decision to end the policy was disappointing to many businesses that were ready to deliver the Government's original objectives. The decision damaged confidence in the low carbon economy and will lock in the requirement for future wide-scale energy efficiency measures and costly retrofits. We recommend that the Government reinstates the zero carbon homes policy or sets out a similar policy that will ensure that new homes generate no net carbon emissions.***

246 Q187 [Lord Bourne]
247 Q187 [Lord Bourne]

5 Conclusions

100. **Improving energy efficiency in homes provides major benefits. It helps households to reduce their energy bills, it contributes towards a reduction of carbon emissions and, by reducing demand, also contributes towards energy security. Improving energy efficiency of homes can play a significant role in helping the country tackle the energy trilemma. Moreover, it provides valuable benefits to individual consumers, such as improved well-being, increased comfort and homes that are nicer to live in. Driving demand for energy efficiency measures should therefore be one of Government's top priorities. Addressing the issue should be seen not as a cost today, but as an investment for the future.**

101. **There is no 'silver bullet' to improving home energy efficiency. A combination of regulations, subsidy programmes, obligations, targeted grants and long-term structural incentives must all be used in a concerted effort. The Government needs to understand that different approaches are required for different households, from the vulnerable fuel-poor, to the private-rented sector, to those who can afford to improve the energy efficiency of their homes. It is also important that the Government recognises that it is individual households who ultimately interact with these different policies, and any future approach must consider the importance of a smooth and rewarding journey for consumers seeking to improve the energy efficiency of their homes.**

102. **It is crucial that the Government establishes a long-term framework for energy efficiency by taking the following actions:**

- **Re-introduce a range of options and incentives for 'able-to-pay' households;**
- **Reconsider using the new supplier obligation to tackle fuel poverty;**
- **Empower local authorities to deliver energy efficiency programmes and;**
- **Ensure new homes won't require future costly retrofits by reinstating the zero carbon homes policy.**

103. **A key part of this approach is to consider the real potential to drive targeted energy efficiency by facilitating the release of and widening access to valuable data on property characteristics, energy use and income. The Department must also recognise the need to be flexible enough to respond to, and maximise the potential of, disruptive technologies such as smart meters. Success in driving energy efficiency will only be achieved if its importance is recognised throughout Government and a genuinely cross-departmental approach is adopted.**

Conclusions and recommendations

Stop-start nature of energy efficiency policy

1. We recognise that, through the Energy Company Obligation, large energy suppliers have delivered well over one and a half million energy efficiency measures over the past years, as well as significant bill savings for consumers. However, we have heard that targets are much lower and less ambitious than under the previous supplier obligations: the Carbon Emissions Reduction Target and the Community Energy Saving Programme. There has been a disappointing decline in energy efficiency installation rates. This is seriously concerning, especially given that there are a huge number of homes left to benefit from insulation and other measures. (Paragraph 24)

2. The Green Deal is widely regarded to have been a failure. It fell unacceptably short of original ambitions and it is clear that the scheme has not driven any significant demand for energy efficiency measures in the 'able-to-pay' sector. The problems preventing Green Deal from large scale take-up were well documented by our predecessors. Disappointingly, they were not addressed. The failure of the Green Deal has been further exacerbated by the unhelpful and competitive interplay between the scheme and the Energy Company Obligation. (Paragraph 25)

3. Policy changes, under both the previous and current Government, have led to a degree of uncertainty within the energy efficiency market. This has led to a complex and confusing landscape for consumers to navigate. This lack of stability has also been detrimental to the supply chain, which has suffered job losses. (Paragraph 26)

Data issues

4. The importance of tackling fuel poverty cannot be overstated. However, we have serious concerns that the Government's decision to use the new supplier obligation to do so may be misguided. The evidence we have received clearly indicates that this is the wrong approach. A scheme which places some of the costs of its delivery on the very households it is designed to help is inherently regressive. Commercial energy suppliers are not best placed to deliver fuel poverty action. Moreover, access to and sharing of individual household data is currently not possible and would probably require primary legislation. (Paragraph 46)

5. We recommend that DECC reconsiders its decision to use a supplier obligation to tackle fuel poverty. As a consequence the Government must re-evaluate what the best approach is to tackle fuel poverty. In order to do this, the Department must first publish the evidence which was used to determine that a supplier obligation is, in its own words, the "best mechanism" for tackling fuel poverty. This evidence must be open to public scrutiny. (Paragraph 47)

6. DECC should consult on alternative approaches to tackling the serious and urgent problem of fuel poverty. DECC must give particular attention throughout this consultation to addressing how to tackle fuel poverty for those living in rural fuel poor homes. (Paragraph 48)

7. Accurate, accessible data on property characteristics, energy use and income are the key to tackling fuel poverty. Such data would also help drive a more targeted approach to delivering energy efficiency measures through various policies. We recommend that the Department assess what legislative changes would be needed to improve wide-scale access to- and sharing of data. DECC must provide us with details on what specific changes would need to be made to establish a comprehensive national database to support the delivery of energy efficiency measures. In its response, the Department should set out a timetable for these changes. (Paragraph 49)

Transition to the new supplier obligation

8. The impending transition period between the Energy Company Obligation and the new supplier obligation must not repeat the mistakes of the badly handled transition from the Community Emissions Reduction Target and the Community Energy Saving Programme to the Energy Company Obligation, which had unintended consequences for industry and the supply chain. (Paragraph 52)

9. In the light of industry concerns regarding a carefully managed transition period, and our earlier recommendation that DECC reconsiders its decision to use a supplier obligation to tackle fuel poverty, we recommend the following:

   i) ECO, in its current form, should be extended until March 2018 in order to provide stability to the supply chain while a new supplier obligation is developed.

   ii) A transition period should be established between the end of the Energy Company Obligation and the new supplier obligation—this should run from April 2018 to March 2019 as a minimum—with the new obligation commencing no earlier than April 2019;

   iii) The Department must immediately launch a consultation on the design of the new supplier obligation to be introduced in 2019. (Paragraph 53)

Stimulating the 'able-to-pay' market

10. It is crucial that the Department renews its efforts to drive demand for energy efficiency for the 'able-to-pay' in this Parliament. It is disappointing that DECC is not prioritising addressing this issue, especially after the failure and subsequent ending of the Green Deal and given that the shortcomings of this scheme have been known for a long time. We set out below the action we believe the Department must now take to encourage and drive demand for energy efficiency in 'able-to-pay' households. (Paragraph 58)

Re-introducing attractive financing options

11. The establishment of the infrastructure behind pay-as-you-save based lending is an important legacy of the Green Deal. This infrastructure could play an important role in facilitating future energy efficiency measures in the 'able-to-pay' market. We recommend that the Government carries out an assessment of the value of reinstating a pay-as-you-save mechanism based on the GDFC infrastructure. (Paragraph 64)

12. DECC must specifically detail what assistance and tools will be available to landlords, some of whom will have to make considerable and costly improvements to their properties in order to comply with the minimum energy efficiency standards (MEES) to be introduced in April 2018. (Paragraph 65)

Driving demand through incentives

13. We welcome the fact that the Department is looking into using varied stamp duty and council tax rates as levers to incentivise households to undertake energy efficiency improvements. We urge the Department to work with the Treasury to develop straightforward policy options and publish an impact assessment of these options. Complex policies must not get in the way of delivering energy efficiency objectives. The Government must ensure that support mechanisms are in place to ensure that vulnerable households and fuel-poor consumers are not negatively impacted from the introduction of such incentives. (Paragraph 68)

Communicating the broader benefits of energy efficiency

14. There are multiple benefits to improving home energy efficiency. However, these benefits have not been clearly communicated to households, which is a principal reason behind the failure of previous schemes to drive demand. We welcome that the Department recognises that making home energy efficiency improvements is not simply driven by financial incentives. (Paragraph 74)

15. DECC should bring together health services, charities, housing developers, supply chain representatives, industry groups and consumers to form a group to consult with and determine the most effective way to communicate the benefits of energy efficiency to 'able-to-pay' households. The Department should also commission, and publish, research to help it understand behaviour change in energy efficiency and demand reduction. This will help to identify how to use the right message at the right points of intervention. We also recommend that the Department works with industry to develop and publicise 'roadmaps' which set out and make clear what steps individual households can take to improve their energy efficiency. (Paragraph 75)

Enabling locally-led delivery

16. Locally-led and area-based approaches have the potential to greatly improve the delivery of energy efficiency policies if these are well planned and sufficiently resourced. (Paragraph 83)

17. We recommend that the Department develops a national framework to facilitate and support locally-led delivery of energy efficiency. Within this framework, the Government should set out good practise and a guide to different ways in which local authorities can work in partnership with other key players (charities, health services, energy suppliers and other relevant organisations) to deliver energy efficiency measures. Examples of good practice include HEEPS in Scotland and the use of 'warm zones'. (Paragraph 84)

Making energy efficiency a cross-Government priority

18. We recommended in our recent report on 'Investor confidence in the UK energy sector' that the National Infrastructure Commission must consider the infrastructure requirements of meeting the UK's carbon budgets and long-term legally binding carbon reduction targets. Energy efficiency will be a crucial part of the mix. The Government and the National Infrastructure Commission should assess the potential benefits of designating energy efficiency as a national infrastructure priority. (Paragraph 89)

19. The establishment of an 'inter-ministerial group on clean growth' to drive cross-departmental collaboration on issues relating to the carbon budgets and de-carbonisation is a positive step by the Government. However, it is unclear to us how the Government's current position to supress information on the group's membership and the frequency and timing of its meetings protects the integrity of the policy making process. It is unclear whether energy efficiency is discussed within this group. (Paragraph 92)

20. We recommend that the Inter-Ministerial Group on Clean Growth is re-cast as a formal Cabinet Committee. Its membership must be published. We recommend that the Secretary of State for Energy and Climate Change is Chair and that it should include representatives from the Department of Health, Department of Communities and Local Government, Department of Work and Pensions, Department for Business, Innovation and Skills, Department for Transport, Department of Environment, Food & Rural Affairs and the Treasury. (Paragraph 93)

21. Alongside this, we recommend that the Government sets up an Implementation Taskforce for energy efficiency. We recommend that representatives from the same Departments outlined above are members of this Taskforce, which should also be chaired by the Secretary of State for Energy and Climate Change. The terms of reference for the Taskforce should be: Driving energy efficiency across the UK as part of a wider strategy to tackling the energy trilemma. The Taskforce should publically report, on an annual basis, the Government's progress towards achieving a step-change in driving energy efficiency across the UK. (Paragraph 94)

Developing robust regulation for new homes

22. Zero carbon homes was an ambitious policy which was a positive step towards ensuring that all new homes are energy efficient. Whilst we recognise the Government's desire to stimulate housebuilding, the unexpected decision to end the policy was disappointing to many businesses that were ready to deliver the Government's original objectives. The decision damaged confidence in the low carbon economy and will lock in the requirement for future wide-scale energy efficiency measures and costly retrofits. We recommend that the Government reinstates the zero carbon homes policy or sets out a similar policy that will ensure that new homes generate no net carbon emissions. (Paragraph 99)

Conclusions

23. Improving energy efficiency in homes provides major benefits. It helps households to reduce their energy bills, it contributes towards a reduction of carbon emissions and, by reducing demand, also contributes towards energy security. Improving energy efficiency of homes can play a significant role in helping the country tackle the energy trilemma. Moreover, it provides valuable benefits to individual consumers, such as improved well-being, increased comfort and homes that are nicer to live in. Driving demand for energy efficiency measures should therefore be one of Government's top priorities. Addressing the issue should be seen not as a cost today, but as an investment for the future. (Paragraph 100)

24. There is no 'silver bullet' to improving home energy efficiency. A combination of regulations, subsidy programmes, obligations, targeted grants and long-term structural incentives must all be used in a concerted effort. The Government needs to understand that different approaches are required for different households, from the vulnerable fuel-poor, to the private-rented sector, to those who can afford to improve the energy efficiency of their homes. It is also important that the Government recognises that it is individual households who ultimately interact with these different policies, and any future approach must consider the importance of a smooth and rewarding journey for consumers seeking to improve the energy efficiency of their homes. (Paragraph 101)

25. It is crucial that the Government establishes a long-term framework for energy efficiency by taking the following actions:

- Re-introduce a range of options and incentives for 'able-to-pay' households;
- Reconsider using the new supplier obligation to tackle fuel poverty;
- Empower local authorities to deliver energy efficiency programmes and;
- Ensure new homes won't require future costly retrofits by reinstating the zero carbon homes policy. (Paragraph 102)

26. A key part of this approach is to consider the real potential to drive targeted energy efficiency by facilitating the release of and widening access to valuable data on property characteristics, energy use and income. The Department must also recognise the need to be flexible enough to respond to, and maximise the potential of, disruptive technologies such as smart meters. Success in driving energy efficiency will only be achieved if its importance is recognised throughout Government and a genuinely cross-departmental approach is adopted. (Paragraph 103)

Formal Minutes

Tuesday 8 March 2016

Members present:

Angus Brendan MacNeil, in the Chair

Glyn Davies	Dr Poulter
James Heappey	Antoinette Sandbach
Matthew Pennycook	Julian Sturdy

Draft Report (*Home energy efficiency and demand reduction*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 103 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Wednesday 9 March at 1.55pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at www.parliament.uk/ecc.

	Question number
Tuesday 3 November 2015	
Peter Broad, Policy Manager, Citizens Advice, **Peter Smith,** Head of Policy, National Energy Action, **Philip Sellwood,** CEO, Energy Saving Trust, and **Grant Bourhill,** Energy Systems Catapult	Q1–31
Tuesday 17 November 2015	
David Princep, Environmental Health Consultant, Residential Landlords Association, **Councillor Peter Fleming,** Leader of Sevenoaks District Council and member of the Local Government Association Environment, Economy, Housing and Transport Board, **Richard Twinn,** Policy Adviser, UK Green Building Council, **Steve Cole,** Policy Leader, National Housing Federation, and **Joanne Wade,** Director, Association for the Conservation of Energy	Q32–60
Isaac Occhipinti, Head of External Affairs, Energy and Utilities Alliance, **Holly Jago,** Corporate Affairs Manager, Calor Gas, **Lawrence Slade,** Chief Executive, EnergyUK, and **Stephen Huller,** Head of Commercial, CertiNergy UK	Q61–88
Tuesday 24 November 2015	
Mark Bayley, Chief Executive, Green Deal Finance Company	Q89–126
Tuesday 8 December 2015	
Dr Nick Eyre, Director, UK Energy Research Centre, **Dr Jan Rosenow,** Senior Fellow, Centre for Innovation and Energy Demand, University of Sussex, **Simon Roberts OBE,** Chief Executive, Centre for Sustainable Energy, and **Dave Sowden,** Chief Executive, Sustainable Energy Association	Q127–184
Tuesday 19 January 2016	
Lord Bourne of Aberystwyth, Parliamentary Under-Secretary of State for Energy and Climate Change and **Ben Golding,** Deputy Director, Head of Strategy and Finance, Home Energy Directorate, Department of Energy and Climate Change	Q185–269

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/ecc. HEE numbers are generated by the evidence processing system and so may not be complete.

1 AECB (HEE0009)

2 Affinity Sutton (HEE0077)

3 Age UK (HEE0019)

4 Association for the Conservation of Energy (HEE0042)

5 Beama (HEE0049)

6 BEAMA (HEE0116)

7 Behaviour Change (HEE0018)

8 British Board of Agreement (HEE0039)

9 British Gas (HEE0041)

10 British Gas (HEE0115)

11 Calor Gas Ltd (HEE0014)

12 Cavity Insulation Guarantee Agency (HEE0107)

13 CBI (HEE0035)

14 Centre for Sustainable Energy (HEE0083)

15 Centre on Innovation and Energy Demand, SPRU, University of Sussex (HEE0012)

16 Certinergy UK Ltd (HEE0006)

17 Cibse (HEE0052)

18 Citizens Advice (HEE0080)

19 CLA (HEE0051)

20 Co-Gas Safety (HEE0111)

21 Community Energy Plus (HEE0045)

22 Community-Based Initiatives for Energy Saving (CBIES) RCUK Research Project (HEE0056)

23 Department of Energy and Climate Change (HEE0105)

24 Dr Edward Andrew Wyatt (HEE0023)

25 Dr George Chryssochoidis (HEE0024)

26 Durham Energy Institute (HEE0099)

27 Durham Energy Institute (HEE0102)

28 E.On (HEE0078)

29 E.ON UK plc (HEE0117)

30 EDF Energy (HEE0069)

31 Energy Action Scotland (HEE0086)

32 Energy and Utilities Alliance (HEE0028)

33 Energy Research Accelerator (ERA) (HEE0096)

34 Energy Saving Trust (HEE0085)
35 Energy Technologies Institute (ETI) (HEE0011)
36 Energy UK (HEE0074)
37 Friends of the Earth (HEE0081)
38 Future Climate (HEE0064)
39 Gemserv Limited (HEE0040)
40 Glass and Glazing Federation (GGF) (HEE0053)
41 Glazing Supply Chain Group (HEE0046)
42 Green Alliance (HEE0034)
43 Hampshire County Council (HEE0004)
44 Institute of Historic Building Conservation (HEE0058)
45 Insulated Render and Cladding Association (INCA) (HEE0026)
46 John Preston (HEE0097)
47 Knauf Insulation (HEE0095)
48 Local Government Association (HEE0044)
49 Mears (HEE0068)
50 Mineral Products Association (HEE0038)
51 Mineral Wool Insulation Manufacturers Association (MIMA) (HEE0055)
52 Miss Heather Lammas (HEE0043)
53 Modern Masonry Alliance (HEE0100)
54 Mr Daniel Gravell (HEE0008)
55 Mr Michael King (HEE0060)
56 Mr Stephen Browning (HEE0001)
57 Mr James Sambrook (HEE0003)
58 Ms Catrin Maby (HEE0021)
59 Napit (HEE0010)
60 National Energy Foundation (HEE0075)
61 National Federation of Roofing Contractors (HEE0065)
62 National Housing Federation (HEE0032)
63 NEA (HEE0031)
64 NEA (National Energy Action) (HEE0113)
65 Nibe (HEE0054)
66 Ofgem (HEE0036)
67 Oftec (HEE0016)
68 Orchard Partners London Ltd (HEE0005)
69 Passivsystems Limited (HEE0094)
70 Procure Plus (HEE0072)
71 Providence Policy (HEE0022)

72 Public Health England (HEE0112)
73 Renewable Energy Association (HEE0059)
74 Residential Landlords Association (HEE0025)
75 Resourcematics Ltd (HEE0062)
76 Ricardo Energy & Environment (HEE0033)
77 Rockwool UK (HEE0048)
78 RWE Npower (HEE0063)
79 Saint-Gobain (HEE0076)
80 ScottishPower (HEE0091)
81 Spark Energy (HEE0070)
82 SSE (HEE0017)
83 Sustainable Energy Association (HEE0015)
84 Sustainable Energy Association (HEE0114)
85 Sustainable Traditional Buildings Alliance (STBA) (HEE0061)
86 The Builders Merchants Federation (HEE0082)
87 The Green Deal Finance Company (HEE0093)
88 The Green Deal Finance Company (HEE0110)
89 The Institution of Technology and Engineering (HEE0103)
90 Tyndall Centre for Climate Change Research (HEE0037)
91 UK Energy Research Centre (HEE0050)
92 UK Green Building Council (HEE0087)
93 Unison (HEE0098)
94 University College London (HEE0020)
95 Viessmann (HEE0066)
96 Wates Living Space (HEE0073)
97 Which? (HEE0027)
98 WWF - UK (HEE0106)
99 Zero Carbon Hub (HEE0029)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/ecc.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	Our priorities for Parliament 2015–20	HC 368
Second Report	Future of carbon capture and storage in the UK	HC 692
Third Report	Investor confidence in the UK energy sector	HC 542
First Special Report	Linking emissions trading systems: Government response to the Committee's Fifth Report of Session 2014–15	HC 376