

Green Deal: Opportunities for engagement

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Context - Size of the challenge

Household energy efficiency and low carbon industry

- 27% of UK's carbon emissions
- £8.25 billion pa and involves over 100,000 jobs
- Scale expected least double by 2020
- Target of 29% carbon reduction on 2008 by 2020

Enablers

- Effective delivery – knowledge, skills and investment
- Innovation and commercialisation - new products and services
- Marketing, advice and behaviour change
- Finance and funding

Multiple agendas - energy security, climate change, fuel poverty, and employment



Policy Drivers

DECC

Green Deal
Energy retail supplier obligation CERT
Energy supplier obligation, CESP
Fuel poverty
Consumer behaviour change
Renewable heat
Microgeneration

CLG

Housing policy
Energy Performance in Buildings Directive
Energy Performance Certificates
Building regulations
Local authorities

BIS

Technology innovation
Construction
Skills

HMT

Fiscal policy
VAT exemptions

Defra

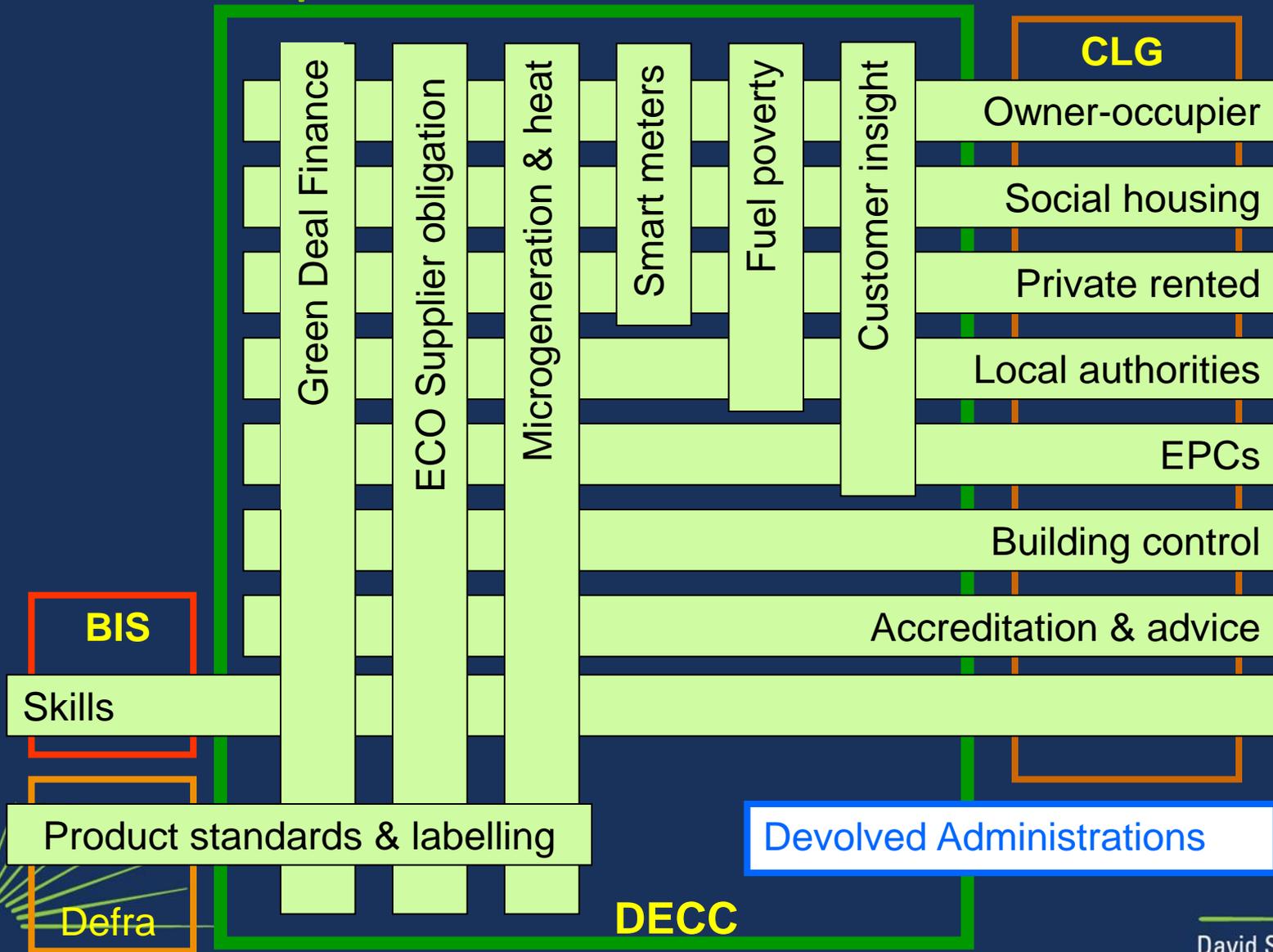
Eco-design & Energy use Directive
Product standards and labelling

Devolved administrations

Multiplicity of policy drivers - some 70 different policy and legislative instruments for existing homes

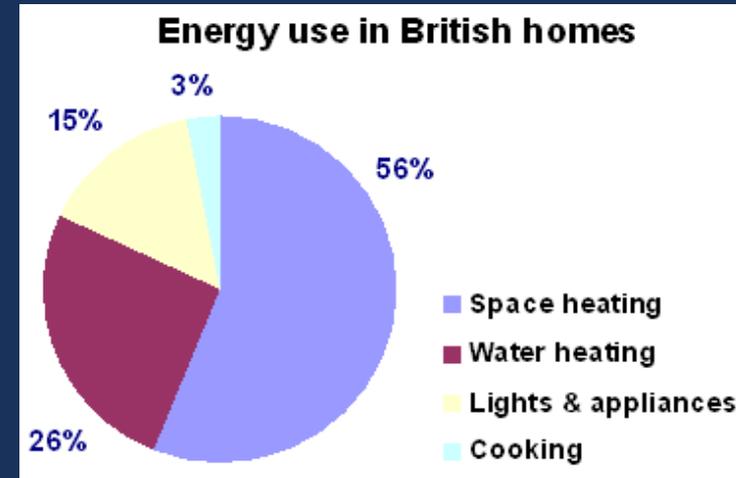


Policy Landscape – Green Deal and links between departments



Government policy objectives

- 74% of UK properties were built before 1975
- Climate Change Act 2008 set **carbon emission reduction targets**
 - 34% by 2020
 - 80% by 2050
- Average annual household energy bill
 - currently £1,124
 - could rise by 33% (real) by 2030
- Government sets the **Green Deal framework**



Saving energy with the Green Deal is DECC's number 1 priority



The origin of the Green Deal

Through our 'Green Deal', we will encourage home energy efficiency improvements paid for by savings from energy bills. We will also take measures to improve energy efficiency in businesses and public sector buildings.

The Coalition: our programme for government
(May 2010)



What is it?... In one slide

- A regulatory framework enabling companies to offer householders:
 - **accredited** advice and recommendations
 - home energy efficiency improvements at **no up-front cost**
 - much easier, **co-ordinated offers** (one point of contact)
 - reassurance that work is of a **high standard**
 - the ability to pay **via energy bills** over the long term (for example, 25 years), making use of the money saved on fuel
 - only to pay whilst they remain in that property
 - different to conventional loans with the risk of defaulting on the entire sum



What the Green Deal is not!

- A grant scheme
 - No public funds are available to support the Green deal
 - It's entirely a market based mechanism
- A scheme which provides guaranteed savings
 - The predicted savings are not guaranteed!!!
- An additional charge on the gas bill
 - Green Deal payments will be applied to the electricity bill only (even though most of the savings will be heating/gas related)



Green Deal: Customer Journey



New skills requirements at every stage

- Survey
- Finance
- Installation
- Maintenance & aftercare

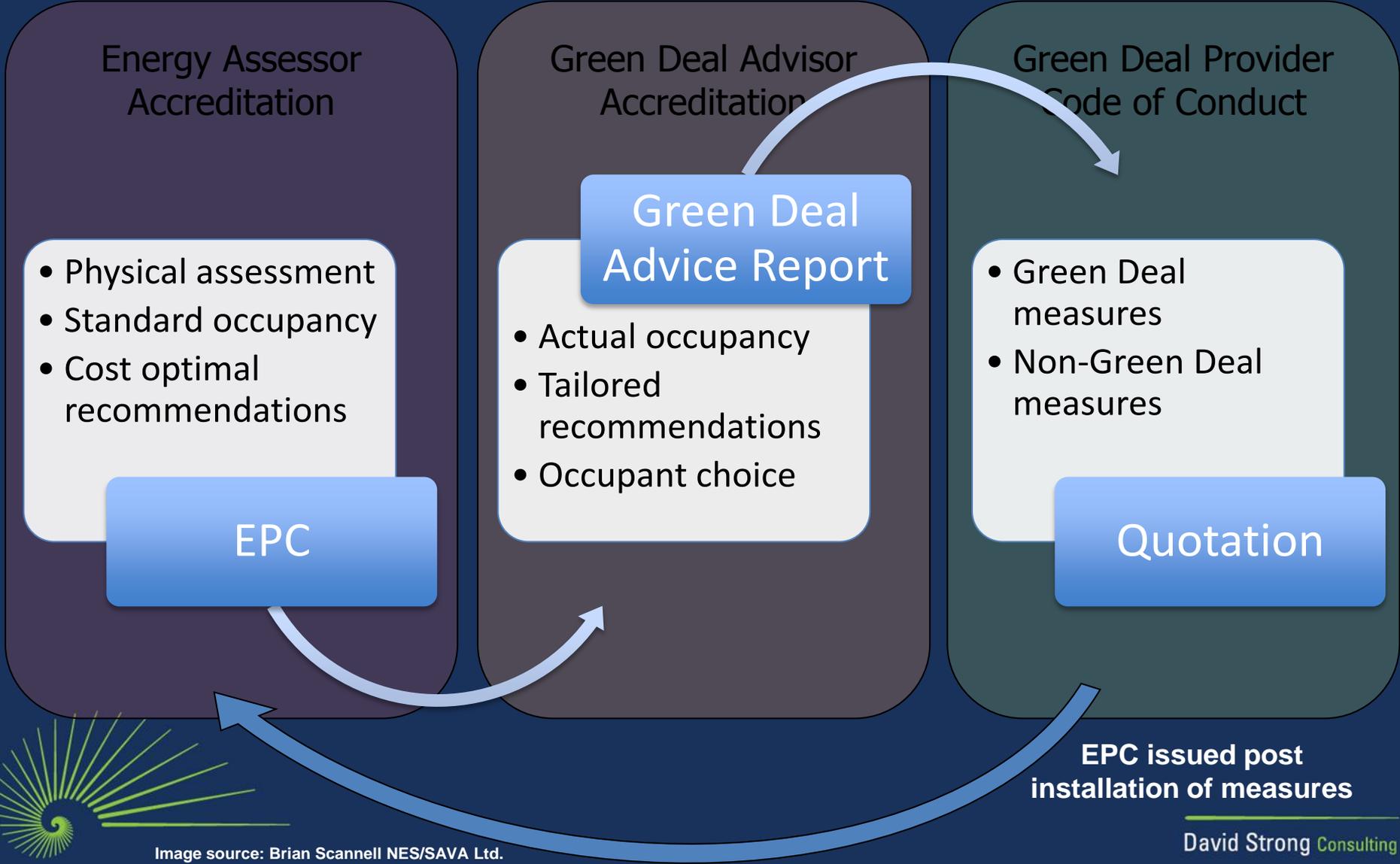


The Golden rule

- The key principle (golden rule) for accessing Green Deal finance:
 - the charge attached to the bill should not exceed the expected savings
 - the length of the payment period should not exceed the expected lifetime of the measures.
- This is not a government guarantee!



Green Deal Framework



Advisor Qualifications

- Complements Energy Assessor qualifications
 - Technical competence builds on energy assessor qualification
 - Green Deal Advisor qualification adds
 - Occupancy assessment
 - Enhanced communications skills
 - Green Deal specific elements e.g. finance, ECO
 - Support owner to define tailored package of measures
- National Occupational Standards in development
 - Dependency on finalising remaining elements of methodology
 - Defined syllabus to improve consistency of training
- Qualifications to follow
 - Several awarding bodies have already expressed interest



Green Deal: Installation



- All installers are registered
- Must meet tough accreditation and quality standards
- Skills training a key issue



Installer standards

- Green Deal will require standards and certification for products and installers
- Installer will need to:
 - meet certain standards to practice under the Green Deal
 - carry the Green Deal quality mark / logo
 - sign off work once complete and inform GD Provider that repayments can begin

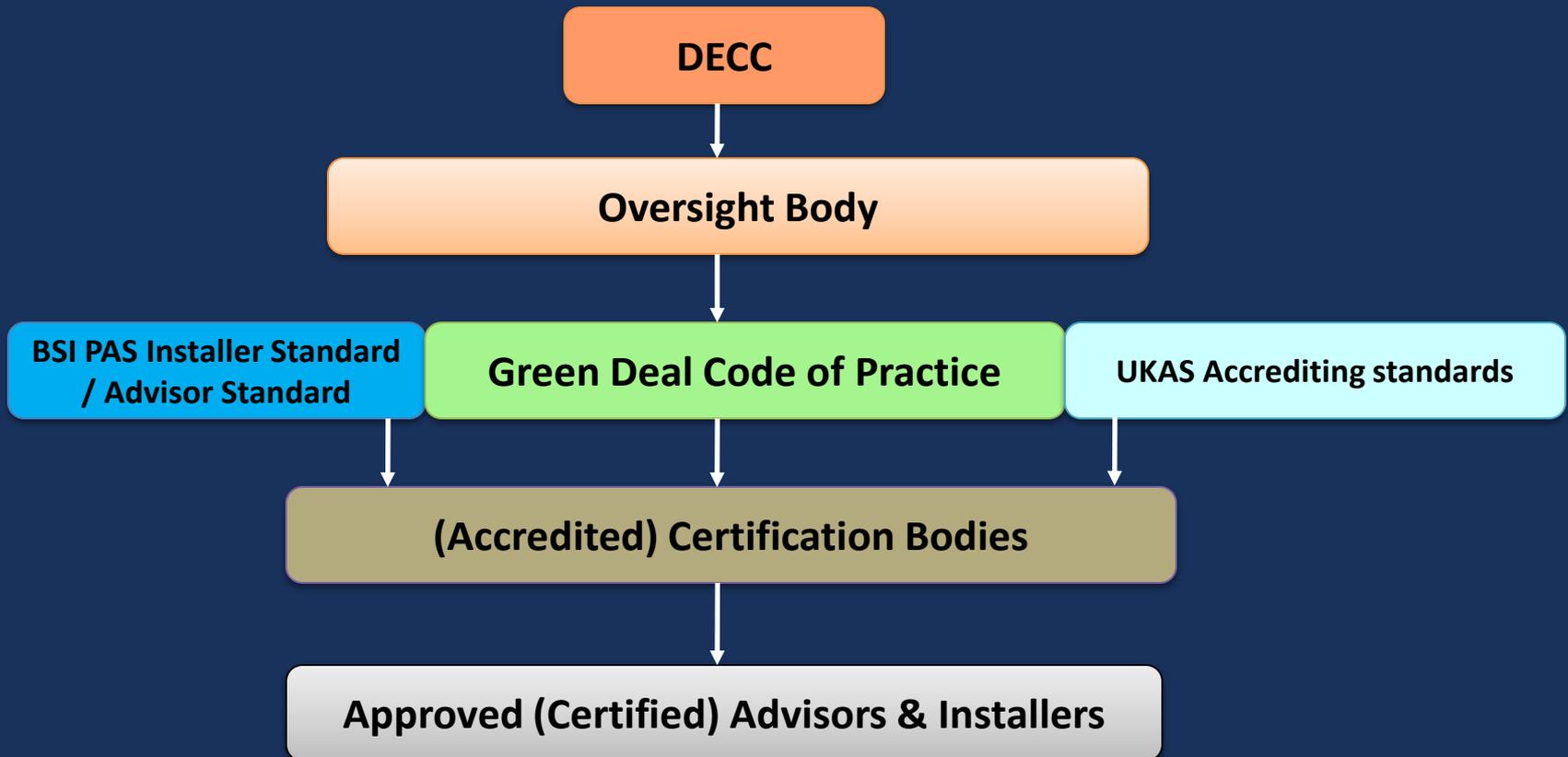


Installer standards

- A new installer standard – BSI have developed a new Publicly Available Specification (PAS) covering:
 - Certification of products/materials
 - Technical criteria for installation
 - Installer competence via appropriate qualifications
 - Customer conduct and complaint processes
 - Provision of warranties to cover work carried out
- Implement standard through accrediting certification bodies
- Independent accreditation of certification bodies – by UKAS



Accreditation & Oversight



Timetable

- Autumn/Winter 2011
 - Energy Bill received Royal Assent: The Green Deal is enshrined in Primary Legislation
 - Consultation on the detail of the scheme -closed January 2012
 - Further development/refinement of PAS2030, the Green Deal Code of Practice and NOS's for GD Advisors and Installers
- Summer 2012
 - Government publishes Green Deal Consultation response
 - Secondary legislation laid in Parliament
 - Early adopters work with prospective Green Deal Providers
- Autumn 2012
 - First Green deals surveys
 - ECO introduced
 - RHI introduced for residential/small commercial building
- 1st Quarter 2013
 - First Green Deal plans signed/installed



Green Deal Consultation response

Main changes

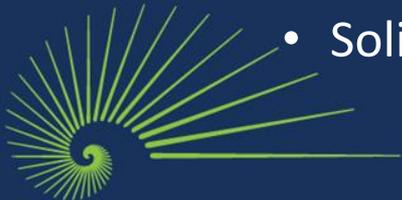
- Assessors must declare whether they are allied to, or being paid by, a particular Green Deal provider
- Green Deal Providers must pay assessors for work done, even if it does not lead to a Green Deal
- Users who use less energy than average will be warned that taking out a Green Deal may not save them any money
- The interest rate will be fixed on Green Deals but Green Deal Providers can increase the amount of the loan by 2% a year
- The requirement for every measure to have insurance lasting the length of the life of the measure has been dropped. Measures must be guaranteed for 5 years and 10 years for consequential building damage (25 years Insulation measures)
- Green Deal provider insolvency provisions removed
- Separate GD Ombudsman to be established



ECO changes

£1.3 billion ECO funding delivered by the energy companies in proportion to their market share + brokerage arrangements (tbc).

- Affordable Warmth Obligation (£350m p.a.)
 - Targeting low income/private tenure
 - Mostly loft insulation, CWI, heating systems (and boiler repair)
- New Carbon Saving Communities Obligation (£190m p.a.)
 - Replacement for CESP
 - 15% expenditure targeting rural communities (less than 10,000 people)
- Carbon Savings Obligation (£760m p.a.)
 - Solid wall insulation/hard to treat cavities/ District heating



Major concerns

- Green Deal Finance Company funding still not finalised
- Changes to FIT's could cause serious commercial damage to key sectors associated with microgeneration
- Transition from CERT/CESP to ECO could result in significant down-sizing in the insulation installation sector if Green Deal take-up is slow
- Lack of suitably qualified operatives and absence of training courses associated with new NOS's
- Absence of drivers to ensure market pull for the Green Deal –back-tracking on consequential improvements



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