

CABINET - 19TH JANUARY 2012

Report of the Head of Planning and Regeneration Services Lead Member: Councillor Matthew Blain

Part A

ITEM 10 RESPONSE TO THE GOVERNMENT'S CONSULTATION ON THE GREEN DEAL AND ENERGY COMPANY OBLIGATION

Purpose of Report

To seek Cabinet endorsement for the comments submitted to the Government on the Green Deal and Energy Company Obligation Consultation.

Recommendation

That the comments sent to the Government in response to the consultation set out in the Appendix to this report be endorsed.

Reason

To make Cabinet aware of the views submitted on behalf of the Council and set the context for any future activity by the Council on the Green Deal.

Policy Justification and Previous Decisions

In the 2005 the Government published the UK's Sustainable Development Strategy, Securing the Future. Amongst the four priority action areas is the need to confront the threat of Climate Change and Energy Insecurity.

This built on earlier policy including the 2003 Energy White Paper which recognised the interrelationship of these two issues. It established for the first time the need to tackle climate change in energy policy and stated the goal of ensuring that every home in the UK is adequately and affordable heated.

Since then the UK has stepped up its commitment and targeted approach to this agenda. The 2008 Climate Change Act established legally binding carbon reduction targets of 34% by 2020 with the aim of reducing emissions by 80% by 2050. Key to reducing total UK carbon emissions is addressing the 28% arising from domestic properties and 15% from commercial and public buildings.

The Energy Act 2008 enabled the Government to establish Smart Metering schemes to encourage people to monitor their consumption and reduce their energy demand. It also established the Renewable Heat Incentive and Feed In Tariff scheme to encourage householders and small businesses to generate their own low carbon energy. The Energy Act 2010 allowed the Government to compel energy companies to provide at least £300 million per annum by 2013-14 to vulnerable households on social support to lower their energy bills.

The Government's approach has set the context for Charnwood Borough Council's commitments within its Climate Change Strategy, Corporate Plan and Sustainable Communities Strategy.

Commitments within the Corporate Plan include 'improving the wellbeing of residents by tackling fuel poverty, supporting sustainable development and reducing the Borough's impact on climate change. The energy hierarchy referred to in the Climate Change Strategy acknowledge the need to promote the reduction of the borough's energy demand, encourage energy efficiency and access renewable energy. Charnwood's Sustainable Communities Strategy also sets out commitments to promote health and wellbeing, promote local energy sources to support economic growth, and reduce energy use and contributions to climate change.

As a signatory to the Nottingham Declaration the council has committed to help local residents and local businesses to reduce their energy costs and to deal with fuel poverty in our communities. In these economic times tackling fuel poverty is especially important with almost five million people in the UK in fuel poverty (where they spend more than 10% of their income on heating and powering their homes).

In the UK Fuel Poverty Strategy the Government sets out its intention to eradicate fuel poverty as far as reasonably practicable in England by 2016. According to the Energy Saving Trust, by taking energy efficiency measures, the average household could reduce this by one third (2 tonnes) and save £200 per year.

Provisions within the Energy Act 2011 have allowed the Government to introduce the Green Deal and Energy Company Obligation to encourage the uptake of energy efficiency measures by households and small businesses. Involvement in the Green Deal and Energy Company Obligation would enable the Council to meet its commitments on climate change and fuel poverty.

The Department of Energy and Climate Change (DECC) is currently conducting a consultation on all aspects of the Green Deal prior to its launch in 2012. Due to the consultation closing on the 18th January before Cabinet members can consider a report, comments have been submitted with the Lead Member's approval.

The comments in the Appendix have been used to complete the formal consultation document.

Implementation Timetable including Future Decisions and Scrutiny

The Government consultation will conclude on 18th January and the feedback is expected in Spring 2012. Officers have responded to the consultation to meet this deadline in consultation with the Lead Member and the consultation responses are appended for Cabinet's endorsement. Further reports to Cabinet on the Green Deal will be submitted as the Council develops its approach.

Report Implications

Financial Implication

There are no financial implications associated with this report

Risk Management

There are no specific risks associated with this report

Key Decision: No

Background Papers: The Green Deal and ECO Consultation Document
http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx

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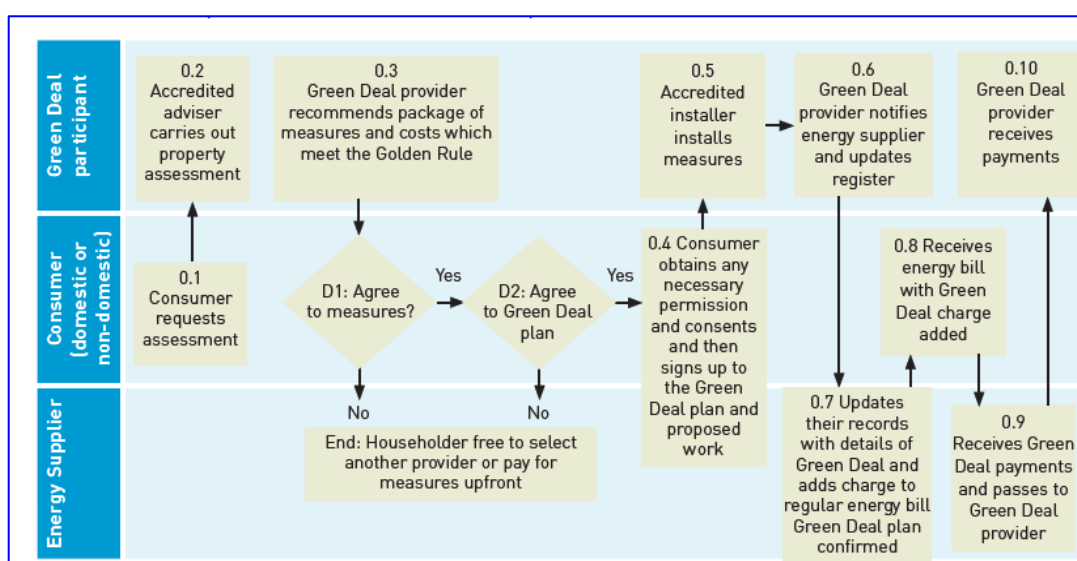
Part B

Background

1. In October 2012 the Government will introduce the Green Deal and Energy Company Obligation. These financial schemes will enable private companies to offer consumers energy efficiency improvements to householders and small businesses at no upfront cost, and to recoup payments through a charge in instalments on the electricity bill. These schemes are designed to remove barriers to domestic refurbishment and drive market demand for improved energy efficiency.
2. A variety of organisations will be able to provide the Green Deal to the public. This will include building firms, home improvement stores, supermarkets, local authorities, estate agents, landlords, community groups, small energy efficiency installers, and energy suppliers. It is expected that over £14 billion of private investment into the UK domestic housing stock will take place over the next decade with an annual provision of £1.3 billion by energy companies and a £200 million Government kick-start scheme. The creation of up to 65,000 insulation and construction jobs is estimated.
3. From April 2016 private residential landlords will be unable to refuse a reasonable request from a tenant for consent to energy efficiency improvements where a finance package, such as the Green Deal and/or the Energy Company Obligation (ECO), is available. From April 2018 it will be unlawful for a landlord to rent out a residential or business premise that does not reach a minimum energy efficiency standard. The intention is for this to be set at Energy Performance Certificate (EPC) rating 'E'.
4. This has significant implications for domestic and commercial properties across Charnwood as well as the council's own housing stock.

The Green Deal Model

5. The flow diagram below shows how the Green Deal will work.



6. The components of the Green Deal and ECO national scheme will include:
 - a Government funded independent public information and advice remote service;
 - an accreditation scheme for assessors imparting advice and conducting property assessments;
 - an accreditation process to ensure quality and performance of energy efficiency measures and products;
 - an accreditation framework for green deal providers who supply finance to householders and businesses;
 - low cost finance for energy efficiency measures (comparable with high street interest rates)
 - enforcement of the golden rule where the cost savings from energy measures must exceed financial repayments
 - specific support through ECO for owners of hard to heat properties who might otherwise not be able to take up Green Deal finance
 - specific support through ECO for vulnerable and low income households for whom energy performance improvements would help heat their homes more affordably;
 - a route to obtain customer consents, information disclosure and acknowledgement of Green Deal measures;
 - an accreditation framework for green deal installers;
 - provision for collection of finance repayments through the electricity bill and remittance to finance providers;
 - partnerships and localised delivery of the Green Deal and ECO to ensure that Green Deal finance and ECO support are seamlessly combined behind the scenes;
 - a consumer protection regime to ensure that consumers are protected at every stage through the Green Deal and ECO journey;
 - ECO targets set at a level that will enable delivery against our objectives

7. The Green Deal will cover domestic and non-domestic properties whilst ECO will apply to domestic properties only.

Elements of the consultation document of relevance to Charnwood Borough Council are discussed below and presented together with an officer response.

1. Green Deal Assessment

Only authorised advisors will be able to carry out Green Deal assessments. They will need to meet the training and qualification requirements, be registered members of United Kingdom Accreditation Service (UKAS) accredited certification body, and certified by their certification body against the relevant standards and requirements set out in the Green Deal Code of Practice.

Green Deal Assessors would then conduct property and occupancy assessments, explain the Green Deal, explain the impact of occupant behaviour on projected savings, and determine appropriate measures for that property. An improved Energy Performance Certificate (EPC) or reduced data Standard Assessment procedure (rdSAP) will form the basis of domestic assessments and the Simplified Building Energy Model Methodology (SBEM) will form the basis of the non-domestic assessments.

Response

Despite an approved methodology and Code of Practice Charnwood Borough Council is concerned by the absence in the proposals for independent monitoring and secondary checks to ensure the accuracy of green deal assessments. It is also concerned about the accreditation of Green Deal assessors and their quality since there appears to be no requirement for them to have construction experience or knowledge of Building Regulations. This may result energy efficiency measures for properties being recommended that are unsuitable in its current structural format due to a lack of expertise by the accredited assessors (for example: external cladding being recommended on a house that is experiencing settlement).

The long repayment terms and lifespan of the energy efficiency measures mean that the best service would be offered by assessors with building experience and where independent secondary checks of assessments are conducted by local authorities. Charnwood Borough Council recommends this as a requirement for Green Deal providers.

2. Energy Company Obligation (ECO)

The ECO will replace the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programmes (CESP) schemes. These schemes are the current mechanism for channelling energy company finance into domestic housing of people most likely to be in fuel poverty. Within ECO the Affordable Warmth Obligation (AWO) will offer Warm Front type measures (basic insulation and heating systems) to improve thermal performance for low income households. The Carbon Saving Obligation (CSO) will focus on subsidising measures for hard to heat properties. The energy efficiency solutions for these properties would be expensive and unlikely to meet the golden rule i.e. the energy cost savings generated within a reasonable time period would be lower than the cost of the measure.

The Government will either direct companies to provide measures for households in need of assistance or pursue a referral scheme to enable companies to contact households that have requested measures following a Green Deal Assessment.

Response

The consensus at local authority regional networks suggested that attracting energy companies to invest in CESP and CERT schemes in their administrative areas often required significant match funding from local authorities. In some cases the local authorities were found to contribute more than the energy companies to individual schemes.

The Government restricted CESP to low super-output areas where the proportion of people experiencing income and employment deprivation would be highest in a local authority district. However this did not allow for individuals outside these zones to access this support. Therefore Charnwood Borough Council cautiously welcomes a fully market funded non-area based approach as this will enable more people to benefit from the scheme. The issue of how ECO can be facilitated within individual administration areas has not been addressed in the government's proposals and it is considered that reference should be made. Charnwood Borough Council also feels that energy suppliers should not need additional encouragement in the form of match funding to meet their legal obligations.

The Government has stated that it will identify households eligible for ECO from Green Deal assessments and subsequent referrals. Charnwood Borough Council's experience in working with vulnerable households raises a question whether market demand for assessments would be great enough to identify a sufficient number of households eligible and willing to take up ECO measures in the quantity necessary to meet targets established for energy companies.

The Borough Council suggest that a centralised Government referral service would lead to householders eligible for ECO being contacted by more than one Green Deal provider which could lead to confusion and discourage uptake.

The Government's proposal for a centralised referral service could make use of good practice sub-nationally where there are referral schemes already in place such as the Leicestershire First Contact Scheme (LFCS). With the LFCS a one-stop assessment of a range of social and housing needs are conducted by a sub-national team and referrals made to the relevant local authority or service provider.

Charnwood Borough Council's experience of Warm Front and discretionary housing grants suggest that elderly households may resist Green Deal measures and even ECO to avoid taking on any inheritable debt or because they've grown accustomed to their under-heated property. Whilst minimum requirements under the CSO will ensure that enough measures are deployed to make a lasting difference to the property it may discourage participants where full subsidies are not available.

Although it is not stated in the consultation document it is assumed that the start of ECO will signal the end of Warm Front and associated support by local authorities. Clarity around this issue would be helpful.

The consultation document could usefully state whether some form of ECO will be available for hard to treat commercial buildings.

3. Consents and Information Disclosure

Under the proposals, any Green Deal Plan taken on is associated with the property and repaid through the electricity bill for that property. The taking up of a Green Deal Plan for a property will require consent from the owner and from the bill payer if they are different i.e. in the case of rented accommodation. At the point of sale the Green Deal charge would be passed on to a new owner. Some Green Deal measures will also require consent from planning authorities, bill payer and property owner (if different).

Response

It is crucial that local authorities play their part in facilitating this process. Charnwood Borough Council suggests that local planning authorities should establish a route to allow Green Deal Providers to submit batches of planning applications directly to them on behalf of the property owners. This would eliminate a source of upfront costs for property owners and provide a means for the efficient processing of these planning applications.

Planning authorities should provide as much upfront guidance as possible on the requirements when submitting applications for planning permission for Green Deal measures as a means of facilitating the process for households and businesses. A possible initiative for the Government's £200 million kick-start programme could include producing guidance and also clarifying aspects of planning policy that may vary across the country. For example, recognition as homes with three or more unrelated occupants as residential and not commercial properties for the purposes of energy efficiency improvement would facilitate uptake by landlords in the rented sector by reducing fee costs and planning restrictions.

The matter of green deal repayments to the energy company continuing when a property is empty is a concern for private and social landlords. Charnwood Borough Council would support alignment with practices set out in the Council Tax (Exempt Dwellings) Order 1992 which is more responsive to adverse social and financial circumstances experienced by property owners. Similarly landlords of commercial buildings should be accorded long term discounts to manage overheads on empty units.

The consultation document states that landlords will be required to gain consent from tenants if they want to take out a Green Deal plan on a property as it is assumed that the tenant would pay the electricity bill. Achieving a consensus from buildings with multiple tenants may be difficult for some landlords. Our experience in managing business centres suggests the key factors would be average tenant tenure and level of disruption particularly in commercial buildings. Occupiers of domestic and commercial buildings with low turnover rates are more likely to benefit from measures over the long term and therefore most

likely to comply. In the case of commercial buildings the logistical costs associated with extensive work including the provision of temporary workspace, storage units for sensitive equipment, and removal vehicles and transport could be a barrier to commercial uptake. The key to landlord consent could be the absorption of some logistical costs by the Green Deal provider. This could also be explored in the Government kick-start scheme.

4. Partnerships and localised delivery

The Government has chosen not to use regulation to enforce local Government participation in the Green Deal believing that there will be sufficient natural incentives to promote partnership.

Response

Providers should be prepared to address other barriers such as cluttered loft spaces that exist besides the upfront cost to refurbishment work and would be best placed to do this in conjunction with local authorities, charities and community groups. In conjunction with Leicestershire and Rutland local authorities, the Rural Community Council has been working with communities in a programme called Communities Cutting Carbon to carry out loft clearances and conduct thermal imaging to identify draught and cold spots in community centres as a means of encouraging uptake of energy efficiency measures.

Charnwood Borough Council welcomes the entrepreneurial potential of the programme and the opportunity to respond to the Green Deal in a number of ways. We welcome the opportunity to form a co-operative, partnership or social enterprise, or to endorse at the most basic level the products of a chosen partner that best fit within our scope and criteria to ensure the best is offered to our residents. As stated by the Minister for Department of Energy and Climate Change Greg Barker MP “local authorities offer value to commercial partners and it is not unreasonable that they should be compensated for that”.

Charnwood Borough Council concurs with this view but nevertheless support the retention of the Home Energy Conservation Act 1995 in England which requires all authorities to report on practicable and cost-effective energy conservation measures that are likely to result in a significant improvement in the energy efficiency of residential accommodation in their areas.

Local authorities engaging in the Green Deal do so of their own volition and are vulnerable to changes in Government policy. The Council seeks assurance from Government that the Green Deal will be accorded a substantial bedding-in period after which any amendments to the scheme would follow a transparent consultation process with stakeholders from all sectors.

5. Installation and Post Installation Redress

It will be mandatory for installers to be authorised to operate under the Green Deal and ECO. Installers will need to carry the Green Deal Quality Mark, take full responsibility for the quality of their work and comply with the relevant requirements set out in the Green Deal Code of Practice.

Response

With its experience of Warm Front administration, Charnwood Borough Council welcomes a free market approach to ECO installations as opposed to a single Government contractor for reasons of fair competition and access by local businesses to the Green Deal.

The Green Deal potentially provides an alternative revenue stream to small businesses and business consortiums operating within the green economy and could help to replace that lost by the Feed in Tariff review. Such operators could work closely with local authorities and/or charities to provide a tailored service to meet local needs.

The proposals within the consultation document are consistent with an increasing trend in product warranties where the trader (in this case the Green Deal provider or installer) is responsible for the redress of faults and not the producer. The installer would be expected to compensate the consumer and the product warranty would not necessarily be invoked. Warranties have been used more as a marketing signal to the consumer and to protect against early failure for the producer. However the Green Deal presents an opportunity for Extended Producer Responsibility whereby manufacturers bear responsible for the product throughout a product life-cycle. Charnwood Borough Council considers this is better for the consumer over these long payback periods.

Whilst Charnwood Borough Council agrees that accredited standards are useful to reassure and protect the customer there must be flexibility especially for micro-businesses. Where an installer is already certified with an existing Government accredited standard for a single measure, e.g. solar photovoltaic panels, this should be sufficient to win Green Deal work for the installation of that measure only.

Conclusion

In principle Charnwood Borough Council supports the Green Deal and ECO schemes subject to specific details in this response. The schemes present an opportunity to address energy efficiency, low carbon energy generation and fuel poverty in the borough; however, the council recommends a period of stability following their introduction to enable business and local authorities to develop and implement approaches and strategies. Such a period will enable the Borough Council to work with providers, other local authorities, residents, businesses and community support groups as appropriate.