



## The Green Deal

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The Energy Act 2011 provided for the Green Deal, which the Government says is its “flagship piece of legislation, which will deliver energy efficiency to homes and buildings across the land”.

This will enable energy customers in England, Wales and Scotland to receive low cost loans to make energy efficiency improvements. The repayments will attach to the energy bill at a property, rather than to an individual, passing to any new occupier or bill payer. The “golden rule” is that the instalment payments should not exceed the savings on an average bill.

A new energy company obligation (ECO) to reduce carbon emissions from homes will underpin the Green Deal. This will take over from several Government energy efficiency schemes due to end in 2012. The “Affordable Warmth” element of ECO will focus on hard-to-treat homes, the vulnerable and the fuel poor.

A consultation on the Green Deal was issued on 23 November 2011 along with a draft Code of Practice and Impact Assessment, and draft Regulations covering issues such as consumer protection, financing, and the certification of green deal providers. Consultation closed on 18 January 2012 and the Green Deal should be available in late 2012.

However, there is concern, notably from the Committee on Climate Change in an open letter to the Secretary of State on 20 December 2011, about how well the Green Deal will be taken up, as a demand-led scheme.

The Library standard notes on [fuel poverty](#) and [Energy Efficiency Schemes](#) are related to this issue, while the Library Research Paper on the [Energy Bill 2011](#) gives more background.

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## 1 Background

A number of Government measures are in place to encourage energy efficiency (see Library standard note [Energy Efficiency Schemes](#)). Two major obligations on energy companies to reduce carbon emissions from homes, CERT and CESP, are due to end in December 2012. The [Warm Front](#) scheme which provides grants for heating and insulation is also being phased out by 2012/13.<sup>1</sup>

Slow progress on meeting [fuel poverty](#) targets was highlighted by the Energy and Climate Change Select Committee in March 2010, which said that despite ‘significant’ support for such schemes, the Fuel Poverty Advisory Group had told the Committee:

“There is no doubt that the schemes we currently have, bearing in mind the task that we face, are unfit for purpose and, therefore we do need to have a radical rethink”.<sup>2</sup>

The Government has recently confirmed that continuing with current measures, specifically Warm Front, “*Would never get us close to meeting our statutory target for eliminating fuel poverty*”.<sup>3</sup> In the build up to the 2010 General Election, the manifestos of each of the three main political parties included plans for some form of pay-as-you-save scheme to improve

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<sup>1</sup> Department of Energy and Climate Change (DECC), [HMT Spending Review Press Release](#), 20 October 2010

<sup>2</sup> Energy and Climate Change Committee, [Fuel Poverty](#), Fifth Report 2009–10, HC 424-I, 30 March 2010, p18

<sup>3</sup> HC Deb 26 October 2011 c139WH

energy efficiency,<sup>4</sup> through which an upfront sum to improve energy efficiency was then paid back through the savings made in reduced energy bills.

After the 2010 General Election the Coalition Programme outlined plans for a “Green Deal” to improve energy efficiency:

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.<sup>5</sup>

A briefing from the Department for Energy and Climate Change (DECC) has explained that the aim is to encourage people to invest in energy efficiency, even if they might move house:

At present we know that most people who expect to move again in the next 20 years or more are put off making large investment in energy efficiency because the costs are only affordable by factoring in savings generated after they expect to have moved; Green Deal will mean they only pay whilst they remain at the property enjoying the benefits.<sup>6</sup>

The Government announced in its first Annual Energy Statement that it would include powers in the then forthcoming Energy Bill to introduce a new energy company obligation (ECO) from 2012, to take over beyond CERT and CESP.<sup>7</sup> This would underpin the Green Deal and focus on those properties and households which could not make energy savings without extra financial support or qualify for Green Deal finance.<sup>8</sup>

The Secretary of State has called the Green Deal the Government’s “flagship piece of legislation, which will deliver energy efficiency to homes and buildings across the land”.<sup>9</sup>

## 2 The Green Deal

### *How will the Green Deal work?*

In brief, a property will be assessed by a ‘**Green Deal assessor**’ to show the property’s energy efficiency and recommend measures, resulting in a **Green Deal assessment** and **energy performance certificate** (EPC).

The customer can take the assessment to one or more ‘**Green Deal providers**’ for a quote for the finance and installation of one or more of the recommended measures.

The provider and customer will agree a ‘**Green Deal plan**’ to set out the agreed amount and term of repayments. The customer will in effect be paying for the energy efficiency improvements by instalments, through a charge on their electricity bill.<sup>10</sup>

The **Golden Rule** is that any charge must be less than the expected savings from the retrofit. The repayments should not therefore be higher than normal energy bills, reducing the risk of default. The costs must include all costs, including those of labour, materials and finance.

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<sup>4</sup> [Conservative Party General Election Manifesto](#), April 2010, p93 and The Conservative Party, [Rebuilding Security Conservative Energy Policy for an Uncertain World](#), Strategic Summary, pp.21-22; [Liberal Democrat Party Election Manifesto 2010](#) p.58; [Labour Party Election Manifesto 2010](#), p.8:4

<sup>5</sup> The Coalition: [Our Programme for Government, Energy and Climate Change](#), 20 May 2010

<sup>6</sup> DECC website, [Energy Bill: Green Deal](#) [on 4 May 2011]

<sup>7</sup> DECC [Annual Energy Statement](#), 27 July 2010, p4 and HC Deb 23 November 2010 [c208W](#)

<sup>8</sup> DECC [The Green Deal and Energy Company Obligation Consultation Document](#) 23 November 2011

<sup>9</sup> HC Deb 19 May 2011 c491

<sup>10</sup> The Consultation says the thinking is that many homes are off the gas grid, but most are on the electricity grid.

The Government says that “By attaching the Green Deal charge to the property, it *should not* [italics added] affect the credit rating of the individual and their wider access to credit for other purposes”.<sup>11</sup>

Framework regulations governing the scheme (see below) allow for a Code of Practice and assessor and provider certification. Green deal plans attached to properties must be disclosed if the property is sold or let out, as they will pass to the new bill payer.

### ***The Energy Company Obligation (ECO)***

Because not every measure will pay for itself for every household, and because some households in fuel poverty cannot afford to heat their homes properly, the Green Deal in itself is not enough. It will be supported by an Energy Company Obligation (ECO) which focuses on the poorest and most vulnerable households, and those living in ‘hard to treat’ homes, in effect those with solid walls, needing solid wall insulation (SWI).<sup>12</sup>

This is intended to boost take up of the more expensive energy efficiency measures such as SWI.<sup>13</sup> It is also intended to help incentivise measures (such as those currently delivered under Warm Front) that will not always necessarily lower carbon dioxide emissions, but may still be necessary to improve heating, such as boiler repairs or new heating systems where one is not working.<sup>14</sup> Companies will be obliged to deliver measures to improve vulnerable households’ ability to heat their homes affordably, i.e. there will be a notional home heat cost reduction target. This together with insulation measures (where opportunities remain), could help households particularly vulnerable to the cold.<sup>15</sup>

On 2 June 2011 the Government published *Extra help where it is needed: a new Energy Company Obligation*. This stressed that targets would relate to certain householder groups (lower income and vulnerable households where Green Deal is less likely to work) and/or to certain property types, such as those needing SWI, using a new “Affordable Warmth” target:

Introducing a new ‘affordable warmth’ target will also help in situations where Green Deal finance, which relies on repayments made through savings on energy bills, will either not be appropriate or not be sufficient to make sure that households can benefit from the Green Deal. In such cases, helping the householders to heat their home to a more suitable level without increasing their bills, rather than fuel bill savings per se, is the principal objective.<sup>16</sup>

The Government also set out how Green Deal finance and ECO subsidy would work together so that the details were arranged behind the scenes. The consumer would see one seamless package and offer from a Green Deal provider for projects that would otherwise not qualify under the Green Deal golden rule:

The Green Deal finance market in particular will provide new opportunities and challenges for the way ECO operates. Suppliers and Green Deal Providers will need to

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<sup>11</sup> DECC *The Green Deal and Energy Company Obligation Impact Assessment* 23 November 2011 p.45

<sup>12</sup> DECC *The Green Deal and Energy Company Obligation Consultation Document* 23 November 2011 [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

<sup>13</sup> DECC *Energy Bill Impact Assessment: Green Deal*, December 2010, p50

<sup>14</sup> Energy Bill Explanatory Notes, Bill 167-EN, p23

<sup>15</sup> DECC *Energy Bill Impact Assessment: Green Deal*, December 2010 p49

<sup>16</sup> DECC, *Extra help where it is needed: a new Energy Company Obligation*, 2 June 2011, pp.3-4

work together to provide an offer to the consumer that comprises the optimum mix of support between Green Deal finance and ECO subsidy.<sup>17</sup>

The Government said it would work to establish how ECO companies and Green Deal providers would link together. It favoured some form of brokerage arrangement linking ECO companies and potential delivery partners, putting them in touch with each other and matching offers of ECO subsidy with delivery within the Green Deal framework; this would be a more transparent system than simply matching companies.<sup>18</sup>

### 3 Legislating for the Green Deal

#### ***Energy Act 2011***

The [2011 Energy Act](#) ('the Act') provides for the Green Deal. The bill's proceedings, its Explanatory Notes and the Library's research papers on the bill are available from the [Energy Bill page](#) on the Parliament website.

The bill had its Report stage and Third Reading in the Commons on [14 September 2011](#).<sup>19</sup> The Minister of State at DECC, Gregory Barker, said that the Government amendments on report were 'largely technical'.<sup>20</sup> They were all agreed to, and included;

- Disclosure, so that information about the Green Deal plan would have to be made available along with the EPC to future bill payers.
- Liability for payments to sit on the balance sheet of Green Deal providers, not energy companies.
- Cross-selling; the Government rejected a 'blanket ban' in favour of assessors having to declare to consumers any links they had with Green Deal providers or energy companies. This was in response to commitments given in committee.
- Green deal installation apprenticeships.

Luciana Berger, the Opposition spokesperson, said that Labour had concerns that the Bill would not be as effective as it should be. Opposition amendments sought, among other things, to better define the Green Deal and link it to meeting the UK carbon targets and elimination of fuel poverty.

The Minister considered that on aims for meeting carbon targets and tackling fuel poverty, legislation already existed to compel this. The Green Deal and ECO had to be seen in the Government's overarching carbon budget and Climate Change Act 2008 context.

#### ***Draft Regulations and the Green Deal Consultation***

DECC launched a [Consultation on the Green Deal and Energy Company Obligation](#)<sup>21</sup> on 23 November 2011 including publishing a [Draft DECC Green Deal Code of Practice](#) and a new [draft Impact Assessment](#), as promised during the bill's passage.

Alongside this, seven SIs were published in draft on the [DECC website](#).<sup>22</sup> The intention is to lay them in 'Spring 2012' and the consultation closed on 18 January 2012.

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<sup>17</sup> *ibid*, p.4

<sup>18</sup> *ibid*, p.7

<sup>19</sup> HC Deb 14 September c1043 onwards

<sup>20</sup> HC Deb 14 September c1044

<sup>21</sup> [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx)

The draft Green Deal (Specified Energy Efficiency Improvements and Qualifying Energy Improvements) Order has schedules specifying which measures can be considered as ‘energy efficiency improvements’ and which as ‘energy improvements’ under the Act. These measures are shown in annex 1 to this note.

The draft Green Deal Framework (etc) Regulations deal with the authorisation of Green Deal assessors (who will assess a building regarding its current energy performance and recommend Green Deal measures), and of installers, and allow for assessor and installer certification bodies and registers of participants. They also deal with the payment terms of the Green Deal plan, the inclusion of Green Deal information in EPCs and the disclosure and treatment of a Green Deal plan upon transfer of a property.

The draft Green Deal (Disclosure) Regulations say that the EPC must be provided to a prospective buyer, tenant or licensee when they view the property or make an offer to buy or let it. The draft Green Deal (Form of Acknowledgement) Regulations and The draft Green Deal (Form of Acknowledgment) (Scotland) Regulations set forms of words acknowledging liability under a Green Deal plan.

The draft Consumer Credit (Green Deal) Regulations are to be made under the *Consumer Credit Act 1974*. They say that a Green Deal plan is one with a duration of more than 15 years, set out compensation calculations for early settlement, and allow for wording explaining this, and dispute procedures, to be included in credit agreement paperwork.

The draft Electricity and Gas (Energy Companies Obligation) Order is to be made under the Gas and Electricity Acts and Utilities Act since it involves altering the energy companies’ licences. It sets the overall **carbon emissions reduction target** and **home heating cost reduction target** for the obligation period (currently pencilled in as 1st October 2012 to 31st March 2015). It sets out how Ofgem will calculate each company’s targets based on their share of the customer market.

The draft Order says that suppliers must meet their targets by promoting ‘carbon qualifying actions’ to customers. These are measures promoted for the purposes of achieving improvements in energy efficiency; reducing energy consumption; or reducing the amount of heat that would otherwise be lost from the property. They must also be measures that would not have been installed otherwise, and have been recommended by a surveyor or Green Deal advice report, and must be installed according to the Green Deal Code of Practice.

### ***The Affordable Warmth Group under ECO***

The draft Obligation Order goes on to define the Affordable Warmth group. Suppliers must meet 10% of their overall carbon emissions reduction obligation by promoting carbon qualifying actions to domestic customers who are members of this group. These are defined as people who meet one of the requirements listed in paragraph one of Schedule 1;

1. The requirements referred to in the definition of affordable warmth group in article 10(2) are that the person is in receipt of—

(a) child tax credit<sup>(a)</sup> and has a relevant income of £16,190 or less (where “relevant income” has the same meaning as in Part 1 of the Tax Credits Act 2002<sup>(b)</sup>).

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<sup>22</sup> [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/green\\_deal.aspx#si](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/green_deal.aspx#si)

(b) income-related employment and support allowance, which must include a work-related activity or support component, and—

(i) has parental responsibility for a child under the age of five who ordinarily resides with that member; or

(ii) is in receipt of a qualifying component;

(c) income-based job seeker's allowance and—

(i) has parental responsibility for a child under the age of five who ordinarily resides with that member; or

(ii) is in receipt of a qualifying component;

(d) income support and—

(i) has parental responsibility for a child under the age of five who ordinarily resides with that member; or

(ii) is in receipt of a qualifying component; or

(e) state pension credit.

The Order will also set out how much of the home heating cost reduction target suppliers must meet by promoting 'heating qualifying actions' to the Affordable Warmth group. These are defined as actions that will reduce the cost of heating a home, would not have been installed otherwise; and are installed in accordance with the Green Deal Code of Practice.

The draft Order goes on to provide for Ofgem to monitor companies' actions and savings, and to approve transfers of qualifying actions (credits) between under- and over- performing suppliers. In some cases excess actions by a supplier for their super priority groups under CERT and CESP may also be allowed to count.

#### **4 Energy Performance Certificates; disclosure of Green Deal plans**

An EPC is a certificate which provides 'A' to 'G' ratings for buildings. An 'A' rating is given to the most energy efficient buildings and 'G' to the least. At the moment homes which come onto the market either for sale or rent must have an EPC.<sup>23</sup> However, this has generally been poorly observed.

Existing EPCs will be adapted to form the basis of the 'Green Deal Assessment', which will be required, in the Government's words, to "start every Green Deal customer journey".<sup>24</sup>

Once Green Deal measures have been installed and signed off, a Green Deal provider will give the customer a Green Deal plan document and a new EPC. Any Green Deal plan attached to a property will be disclosed to future potential bill payers through providing them with the EPC, which will contain key financial information about the Green Deal plan.<sup>25</sup>

Caroline Lucas spoke to amendments during the Energy Bill's committee stage<sup>26</sup> seeking to ensure that *new* EPCs had to be produced whenever a house was put up for sale or rent by

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<sup>23</sup> The *Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007*

<sup>24</sup> HC Deb 5 September 2011 c193W

<sup>25</sup> DECC [The Green Deal and Energy Company Obligation Consultation Document](#) 23 November 2011 para 31

<sup>26</sup> Public Bill Committee 16 June 2011 c309

reducing their validity from 10 years to one year. The amendment would also have required all the marketing material to show the rating, rather than it being available only on request.

Greg Barker said it was already a statutory requirement that an EPC was made available free of charge at the earliest opportunity to a prospective buyer or tenant and that from July 2013 it would be a requirement that all property adverts, including those on the internet, carry an EPC rating. He also said that the content and format of EPCs would be changed before the Green Deal was rolled out (the amendment was withdrawn in light of these assurances).

## 5 Financing

ECO is expected to result in energy company spending of an estimated £1.3 billion a year (ultimately reclaimed through everyone's energy bills<sup>27</sup>) while the Green Deal is expected to involve around £14 billion of private sector investment over the next decade.<sup>28</sup>

Green Deal finance is not to come from Government, but from the private sector.

Early media speculation linked various large retail companies with discussions, but voiced concerns about the incentive for them to take part, given likely payback times and margins.<sup>29</sup>

In October 2011 a coalition of 16 companies including British Gas, E.ON, EDF, Goldman Sachs, HSBC, Kingfisher, PwC, npower, Linklaters and Scottish and Southern Energy, signed an official memorandum of understanding. (Scottish Power is the only member of the 'big 6' energy companies not involved.) The consortium will liaise with DECC before forming the not-for-profit 'Green Deal Finance Company'. PwC said that:<sup>30</sup>

Minimising the cost of finance to future accredited Green Deal providers will create a highly competitive market that will compete on cost, reliability, lifespan and technology.

It will maximise the measures that can be included within the Green Deal and, for many potential providers, will solve the question of where their finance will come from.

[Business Green](#) has pointed out that apart from Kingfisher there are no other retail firms yet involved, despite Ministers' hopes, although the group's membership can change.

It is not yet known how, or at what level, interest rates will be set on Green Deal loans. DECC's November 2011 [draft impact assessment](#) (IA) said that unsecured loans for energy efficiency improvements would have ranged from 7.3% for personal loans and 18.3% for interest-only credit cards in August 2011, and used estimates of 6-8% in its modelling.

In May 2011, a report by the not-for-profit organisation E3G on [Financing the Green Deal](#), found that expected take-up was likely to be low, unless interest rates could be subsidised:

Under the policy framework there are therefore significant risks that consumer demand for Green Deal programmes will be low. The economics of energy efficiency retrofits at today's energy prices are not attractive – there is a significant gap between project returns and the cost of borrowing, even at Government rates. E3G analysis indicates

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<sup>27</sup> Adding around £10 to average bills by 2020, see DECC [Estimated impacts of energy and climate change policies on energy prices and bills](#) 23 November 2011, tables E1 and E2

<sup>28</sup> "£200million funding boost for green deal" [DECC press release](#) 24 November 2011

<sup>29</sup> "UK retailers in talks to join government's 'green deal'", [guardian.co.uk](#), 6 October 2010

<sup>30</sup> "Blue chips confirm plan for Green Deal Finance Company" [Business Green](#) 3 October 2011



that even quite modest Green Deal retrofits will require significant support from subsidies to meet the Green Deal 'golden rule' of being able to pay for improvements from current savings. For example, if the subsidy was used to reduce the interest rate, a 25 year loan would need to be offered at an interest rate of 2% or less compared to commercial rates of 8% or more.<sup>31</sup>

The Government has stated clearly that the Green Deal is a market mechanism and, as such, there would be no Government guarantee that energy bills would fall for individual consumers.<sup>32</sup> Savings will be sensitive to changes in energy prices; but the modelling in the IA indicates an expectation that over time, the savings from the Green Deal will increase as energy prices increase.

At the bill's Commons Report and Third Reading<sup>33</sup>, Caroline Lucas spoke to proposed new clause 8, support from the green investment bank (GIB), which would require the Secretary of State to report to Parliament with proposals on how the GIB could maximise take up of the Green Deal. She feared that 'pay as you save' would not be enough to drive take-up. She also spoke to several related amendments which sought to strengthen confidence in Green Deal loans and products, ensure comparability of Green Deal quotes, and allow consumers to choose which energy bill (gas or electricity) to attach payments to.

In November 2011 the Government said its current intention was to seek a state aid approval for the GIB that would provide scope for it to support projects delivering the Green Deal, once in place.<sup>34</sup>

## 6 Concerns about take-up

An article in the *Times* on 23 November 2010 suggested that householders would be encouraged to take up the Green Deal through incentives paid for by energy suppliers under ECO. It speculated that this could include the chance to win a holiday, a discount on council tax, a cash voucher, a rebate on energy bills, or even stamp duty reductions:<sup>35</sup>

[The Secretary of State] said that if these incentives proved insufficient to attract many homeowners, the Government would consider introducing a "tilt in stamp duty". Stamp duty could be reduced by 1 per cent — or about £2,000 for the average home — for those who insulated to a high standard within a set period after purchasing the home.

In January 2011 the Chartered Institute of Environmental Health (CIEH) expressed concern about the decision to phase out Warm Front grants and replace them with the Green Deal. It said that it "had yet to be convinced" that the Green Deal would have a sufficiently wide-scale effect to reach the most needy in society.<sup>36</sup>

In February 2011 it was reported that a coalition of 11 charities, companies and industry groups had written to the Chancellor seeking measures in the March 2011 Budget to incentivise take-up, or the CBI expressed concern that the policy could become a "lame

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<sup>31</sup> E3G, *Financing the Green Deal*, May 2011, p4

<sup>32</sup> DECC *Energy Bill Impact Assessment: Green Deal*, December 2010, p15

<sup>33</sup> HC Deb 14 September 2010 c1055

<sup>34</sup> HC Deb 15 November 2011 c801W

<sup>35</sup> "Win a foreign holiday for insulating your loft; Homeowners to be rewarded for 'green loans'" *The Times*, 23 November 2010

<sup>36</sup> "CIEH says Warm Front cut will hit poor", *Environmental Health News*, 14 January 2011

duck”.<sup>37</sup> The Budget did announce possible future incentives, but not what these might be. The Federation of Master Builders expressed disappointment at this.<sup>38</sup>

In April 2011 there was concern from the building industry that Green Deal measures may not save enough energy to allow for energy efficiency improvements to be made “on the majority of non-domestic buildings”. A study by Cyril Sweett said that modelling of a primary school, office, industrial unit and retail warehouse indicated that the only improvements that met the golden rule were upgrading the fabric of the industrial unit and installing PV and solar thermal panels on the retail warehouse. All other measures cost more to implement than the savings they generated. The modelling included interest, projected increases in energy bills and income from the feed-in tariff and Renewable Heat Incentive.<sup>39</sup>

On 24 November 2011 the Chief Secretary to the Treasury announced £200m of “new and additional Government funding to provide a time-limited ‘introductory’ offer to boost the early take up of the Green Deal”.<sup>40</sup>

Nevertheless, on 20 December 2011 the [Committee on Climate Change](#)<sup>41</sup> (CCC) wrote an open letter to the Secretary of State voicing concerns. The CCC said that the November 2011 draft IA showed ‘low ambition’ for loft and cavity wall insulation, which had been incentivised under CERT. These were ruled out under ECO, and yet the Green Deal was expected to deliver only about 10% of the potential for lofts and 30% of potential for cavity walls.

The CCC said that low uptake would be problematic. For example, the CCC’s and DECC’s emissions projections for meeting the first four carbon budgets assumed that all lofts and cavity walls were insulated over the next decade. The Committee did not accept the argument in the IA that including loft and cavity wall insulation in the ECO would “crowd out the Green Deal finance, particularly given that the IA suggests limited uptake under the latter approach”.

Most recently, on 13 January 2012, the CCC conclusions and these data from the IA on expected loft and cavity wall insulation take-up were cited as evidence that the Green Deal would ‘flop’ and was ‘doomed to fail’, by opposition commentators.<sup>42</sup>

## 7 Code of Practice and protection for consumers

On 2 June 2011 the Government published a document, [Consumer protection in the Green Deal](#). Green Deal providers that want to be able to collect payments from energy bills will be required to meet the Green Deal Code of Practice. This will require providers to:

- provide a statement of expected energy bill savings, based on the assessment, showing how these should be sufficient for the customer to meet the Plan instalments;
- only offer a Green Deal Plan to pay for energy saving measures recommended by an accredited Assessor, using an objective method;

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<sup>37</sup> “Osborne eyes tax rebate to boost green deal” *Financial Times*, 14 February 2011

<sup>38</sup> “FMB bemoans lack of Green Deal incentives in Budget” *Energy Saving Trust*, 26 March 2011

<sup>39</sup> “Revealed: Green Deal costs will outweigh savings” *Building.co.uk* 1 April 2011

<sup>40</sup> “£200million funding boost for green deal” [DECC press release](#) 24 November 2011

<sup>41</sup> “CCC expresses concern about Green Deal proposals” [Committee on Climate Change](#) 20 December 2011

<sup>42</sup> “DECC research suggests Green Deal will flop” *Business Green* 14 January 2012

- only use Green Deal certified Assessors and Installers, certified by Green Deal accredited trade bodies.<sup>43</sup>

The Green Deal will be underpinned by a certification scheme which will set technical standards for installation, competence levels for installers, as well as customer care and warranty requirements. The Government has been working with the British Standards Institute to set out clear standards for Green Deal installers and new training frameworks.<sup>44</sup>

The Government has said it will require assessors to provide neutral advice and assessments. Suspension or withdrawal of licences could follow non-compliance.<sup>45</sup>

The [draft DECC Green Deal Code of Practice](#)<sup>46</sup> allows for this, and sets out the minimum standards required of Green Deal Providers, assessors, and installers (**‘Green Deal participants’**). It applies also to assessor and certification bodies for these, and standards for Green Deal products and systems.

Adherence to the framework regulations and terms of the Code entitles participants to use the authorised **Green Deal quality mark** and the code sets out how this can be used in promotions and advertising. The draft Code also covers sales and cold calling, and consumer complaints and dispute resolution, including an ultimate role for the Energy and Financial Ombudsman Services.

The Code will be managed for the Secretary of State by the **Green Deal Oversight Body**.

The draft Code mentions so far only in passing the Green Deal **advice line** which the Government promised in June 2011 for consumers:

The government will set up a Green Deal Advice line. As well as providing a source of impartial information and referral to assessors, installers and providers, it will also provide advice and referral to assist customers when something goes wrong that can't be fixed by the Green Deal provider. It will provide information about the obligations and protections that are part of the Green Deal– as set out in Green Deal Code - and be capable of capturing basic details about the problem to refer on to the relevant trade certification scheme, or Ombudsman Service (assuming the customer has not been satisfied by their Green Deal provider).

We will work with these Ombudsmen Services, with the energy suppliers and with the accreditation schemes and certifying bodies to ensure sufficient information about the Green Deal Plan is retained and capable of retrieval by those who may need access to it, to enable the effective investigation and resolution of complaints and disputes.<sup>47</sup>

## 8 The Private Rented Sector

DECC announced that the *Energy Bill* would create powers to allow:

- any tenants asking for “reasonable energy efficiency improvements” to receive them from 2015 onwards; and

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<sup>43</sup> Department of Energy and Climate Change, [Consumer protection in the Green Deal](#), 2 June 2011, p4

<sup>44</sup> HC Deb 19 October 2011 c1025W

<sup>45</sup> HC Deb 16 January 2012 c619W

<sup>46</sup> DECC [Draft DECC Green Deal Code of Practice](#) DECC November 2011

<sup>47</sup> Department of Energy and Climate Change, [Consumer protection in the Green Deal](#), 2 June 2011, p6

- that local authorities would be given powers to insist that landlords improve the worst performing homes.<sup>48</sup>

The announcement came with the caveat that whether these powers would be used would be subject to a review. Landlords could face fines of up to £5,000 if they did not make energy efficiency changes; the National Landlords Association “condemned” the plan as they had concerns that owners of older buildings would be fined, even if insulation was too expensive or impractical.<sup>49</sup>

The Government hopes that landlords in the Private Rented Sector (PRS) in particular will use the Green Deal to improve energy efficiency performance of their properties. The PRS has a high number of fuel poor households<sup>50</sup> and a disproportionately large number of homes with the lowest EPC rating (G) compared to other domestic sector tenures (6% compared with 3% in the owner occupied sector).<sup>51</sup>

Barriers to energy efficiency improvements in the PRS include that benefits accrue to the tenant, but the initial costs have to be borne by the landlord. Tenancies are often short-term and the Landlords Energy Saving (tax) allowance has been little-claimed.<sup>52</sup>

At Commons Second Reading Chris Huhne announced a change to the current provisions in the bill on the PRS. As introduced, the bill provided the Government with a power, but not a duty to regulate in this area, nor did it set a specific standard for how rating of PRS properties should be improved. In response, specific standards would be introduced to ban the rental of properties in the PRS with the lowest F and G energy efficiency ratings from 2018. Regulation from 2016 would mean that any tenant asking for their landlord’s consent to make reasonable energy efficiency improvements could not be refused.<sup>53</sup>

These changes were made during Committee stage. The Secretary of State would have a duty to make Regulations so that “landlords would know what was required of them” and a new minimum standard would be set for privately rented homes, of band E energy efficiency.<sup>54</sup> Further details can be found in the Library [research paper](#)<sup>55</sup> on the bill after Committee Stage (see page 10 onwards).

## 9 Annex 1 Green Deal measures

The November 2011 [Draft Impact Assessment](#) (page 37) states that there are no standard measure/s appropriate for every property. Rather, this will depend on factors including any work already done, the characteristics of the building and the geographical location.<sup>56</sup>

The eligible measures listed overleaf are specified in the draft *Green Deal (Specified Energy Efficiency Improvements and Qualifying Energy Improvements) Order*.

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<sup>48</sup> DECC press release, [Huhne heralds green homes revolution](#), 2 November 2010

<sup>49</sup> “New energy rules will force landlords to upgrade properties”, *The Times*, 2 November 2010

<sup>50</sup> HC Deb 4 Feb 2011 [c996W](#)

<sup>51</sup> DECC, [Energy Bill Impact Assessment: Green Deal](#), December 2010, p57

<sup>52</sup> DECC, [Energy Bill Impact Assessment: Green Deal](#), December 2010, p58-59

<sup>53</sup> HC Deb 10 May 2011 c 1063

<sup>54</sup> Public Bill Committee 14 June 2011 cc181-2

<sup>55</sup> Research paper 11/64

<sup>56</sup> DECC, [What measures does the Green Deal cover?](#) 2 June 2011, p4

## SCHEDULE 1

Measures specified as energy efficiency improvements

### Article 3

1. air source heat pumps.
2. biomass boilers.
3. biomass room heaters with radiators.
4. ground source heat pumps.
5. micro combined heat and power.
6. micro wind generation.
7. photovoltaics.
8. solar water heating.

## SCHEDULE 2

Qualifying energy improvements

### Article 4

1. The descriptions referred to in article 4 are the installation of—

- a. air source heat pumps,
- b. biomass boilers,
- c. biomass room heaters with radiators,
- d. cavity wall insulation,
- e. high efficiency gas-fired condensing boilers,
- f. oil-fired condensing boilers,
- g. cylinder thermostats,
- h. draught proofing,
- i. energy efficient glazing,
- j. external wall insulation,
- k. fan-assisted replacement storage heaters,
- l. flue gas heat recovery devices,
- m. ground source heat pumps,
- n. heating controls (for wet central heating systems and warm air systems),
- o. high efficiency replacement warm-air units,
- p. high thermal performance external doors,
- q. hot water cylinder insulation,
- r. internal wall insulation,
- s. lighting systems, fittings and controls,
- t. loft or rafter insulation,
- u. mechanical ventilation with heat recovery,
- v. micro combined heat and power,
- w. micro wind generation,
- x. photovoltaics,
- y. roof insulation,
- z. room in roof insulation,
- aa. solar water heating,
- bb. under-floor heating,
- cc. under-floor insulation, or
- dd. waste water heat recovery devices attached to showers.