



House of Commons
Energy and Climate Change
Committee

**The Green Deal:
watching brief (part 2)**

Third Report of Session 2014–15

*Report, together with formal minutes relating
to the report*

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Summary

Insulating our homes to make them warmer will bring benefits both for homeowners, in the form of lower bills, and for society, as the UK enhances its energy security and lowers its carbon emissions. Yet the Government's flagship Green Deal finance scheme, designed to deliver these benefits, has been a disappointing failure in its first eighteen months. Rather than facilitating access to energy efficiency measures and creating momentum in the market, the Green Deal has caused frustration and confusion for both consumers and businesses in the supply chain. Only 4,000 Green Deal plans have so far been initiated. As a result, carbon savings through Green Deal finance have been negligible.

A combination of financial, communication and behavioural barriers has meant that the policy has been slow to attract customers. The costs associated with the Green Deal process have been repeatedly cited as the prime reasons for the poor take up of the scheme. Households who pass standard credit checks can simply often obtain cheaper loans elsewhere. But the benefits of the Green Deal's market-based approach and of the pay-as-you-save model have also been undermined by the fact that the scheme has lacked flexibility and clarity at every stage. Frequent changes to both the Green Deal and the Energy Company Obligation (ECO) have created uncertainty and insecurity and have alienated many customers. Failure to plan an appropriate communication strategy has meant that DECC has been unable to drum up support even amongst those households that could benefit most from a Green Deal loan.

To the extent that the Green Deal finance alleviates the need for large upfront energy-efficiency installation costs, it is, in principle, an attractive proposition. But loans of this sort will only appeal to a fraction of households. Alternative financial incentives, and other measures and regulations, should now be considered in tandem with the Green Deal to encourage energy efficiency across wider sections of society. Stamp duty discounts or variable council tax rates could encourage more homeowners and households to improve the energy efficiency ratings of their properties and we urge DECC and the Treasury to consider such ideas.

Given concerns over rising energy bills, fuel poverty, energy security and climate change, renewed efforts to promote the Green Deal and energy efficiency must be a priority for the Government. Our homes and buildings are responsible for over a third of the UK's greenhouse gas emissions and wasting heat is simply a waste of money. Nonetheless, calling time on cold homes and retrofitting the UK's existing housing stock is an ambitious aim and it cannot be met without substantial efforts to promote energy efficiency across all regions and sections of the population. While we continue to support the principle of the Green Deal, the Government must re-evaluate its approach and set out a clear strategy to revive the failing scheme. Unless the package is made more attractive to a wider group of consumers, Green Deal finance is likely to remain unappealing to many.

1 Introduction

1. The Green Deal was launched in January 2013 to help Britain's households and businesses make energy efficiency improvements. It is an ambitious 20-year programme designed to ensure that consumer bills are reduced while carbon savings continue to be delivered. The Government has called it “a long-term and progressive programme, providing real opportunity for business growth and with the interest of consumers at its core”.¹

2. We believe that increasing the energy efficiency of the UK's building stock should be a priority for the Department of Energy and Climate Change (DECC), as it will help to ensure energy security, whilst meeting climate change and affordability ambitions. Consequently, we have taken great interest in the implementation and development of the Green Deal.

3. In December 2012, we launched our *Green Deal: watching brief* inquiry, to follow the Green Deal from its inception and monitor its debut on the UK market. We also investigated the development of the Energy Company Obligation (ECO), a legal obligation placed on the larger energy suppliers to install energy efficiency measures for people who are most in need. We assessed the aims and objectives of DECC's policies, identified areas of uncertainty, defined opportunities for improvement and set out a baseline for future scrutiny.² We were concerned that DECC did not seem to hold specific means to monitor the evolution of the Green Deal and that the then Minister was not able to give us a clear idea of what success would look like. This lack of direction was unsatisfactory, as it would become extremely difficult to monitor the progress of the scheme and assess whether its implementation was successful.

4. Our first report on this subject was published in May 2013. We called for a clearer statement from Government of the projected outcomes of the Green Deal and ECO and identified a number of key areas in which continuing scrutiny would be beneficial: (1) public awareness and communications; (2) take-up levels; (3) energy and carbon savings; (4) financial savings and value for money; (5) access to the Green Deal and ECO; (6) customer satisfaction; and (7) supply chain and job creation. We also highlighted a number of indicators that would help monitor progress under each of these headings.

5. The Government accepted most of our “important and helpful” recommendations and stated that it “has and will continue to regularly publish information on progress of the

1 Department of Energy and Climate Change ([GRE 052](#))

2 Energy and Climate Change Committee, First Report of Session 2013-14, [The Green Deal: watching brief](#), HC 142, para 3

Green Deal, keeping the Committee and other stakeholders informed”.³ DECC confirmed that:

The Government considers that saving carbon is the principal objective of the programme and has projected savings of 4.5 million tonnes of CO₂ per year by 2020 through the Green Deal and the Energy Company Obligation (ECO). We recognise that this is a long term projection and that the Committee will want to understand progress in the shorter term. We can therefore confirm that our expectation for March 2015 is to see one or more energy efficiency improvement measures fitted in 1 million households whether through the Energy Company Obligation, Green Deal finance or other financing options (or, indeed, through combinations of these financing options). Consumer choice, including around the use of finance, is key to the success of Green Deal.⁴

6. We launched this follow-up inquiry *Green Deal: watching brief (part 2)* on 18 December 2013.⁵ We received 56 written submissions and held four oral evidence sessions between April and June 2014. A full list of witnesses can be found at the back of this report. We are very grateful to all those who took the time to contribute to this inquiry.

7. A brief overview of the Green Deal and the Energy Company Obligation (ECO) can be found below. Chapter 2 then provides an initial assessment of the Green Deal so far and considers the main barriers to take-up of the scheme. Chapter 3 evaluates different means by which these barriers can be addressed to make the Green Deal more attractive to customers. Finally, Chapter 4 explores the importance of communication and public engagement in promoting the Green Deal.

How does the Green Deal work?

8. The Green Deal is a financing mechanism open to any household with an electricity meter⁶ and is intended to allow individuals and businesses to make energy efficiency improvements at little or no upfront cost. The installation costs are attached to the property’s electricity meter and repaid in instalments through the electricity bill.⁷ According to DECC, the scheme “aims to overcome access to capital, mismatched

3 Energy and Climate Change Committee, Second Special Report of Session 2013-14, [The Green Deal: watching brief: Government Response to the Committee’s First Report of Session 2013-14](#), HC 607, p 10

4 Energy and Climate Change Committee, Second Special Report of Session 2013-14, [The Green Deal: watching brief: Government Response to the Committee’s First Report of Session 2013-14](#), HC 607, p 2

5 Energy and Climate Change Committee, ‘[Second stage of ‘Green Deal: watching brief’ inquiry announced.](#)’ accessed 07 July 2014

6 Department of Energy and Climate Change, ‘[Green Deal: energy saving for your home.](#)’ accessed 04 September 2014

7 Department of Energy and Climate Change, [The Green Deal and Energy Company Obligation Consultation Document](#) (November 2011), p 31. In this consultation document, DECC suggested that collecting repayments via a charge on the electricity bill was operationally simpler as nearly all households are on the electricity grid, whereas many are off the gas grid.

incentive problems and provide a trustworthy framework of advice, assurance and accreditation for the energy efficiency supply chain”.⁸

The Green Deal process

9. The Green Deal process begins with an assessment carried out by a registered Green Deal Assessor. The Assessor visits the property, surveys energy usage and recommends appropriate energy efficiency measures to be installed in a Green Deal advice report. If the measures are to be paid for through the consumer’s electricity bill, a Green Deal Provider will set up a Green Deal finance plan outlining the work to be done and the length and amount of the repayments. Once a plan is agreed upon, the Provider arranges for a Green Deal Installer to carry out the improvements, and Green Deal repayments are automatically added to the electricity bill.

The Golden Rule

10. At the heart of the Green Deal’s “Pay-As-You-Save” model lies the Golden Rule, which states that the expected financial savings from installing energy efficiency measures must be equal to or greater than the cost attached to the energy bill. In effect, the “annual repayments on the loan shouldn’t be more than the savings you might make on your energy bills”.⁹

Green Deal cashback

11. To encourage take-up of the Green Deal, the Government offered cashback to Green Deal customers who had undertaken a Green Deal assessment and went on to install energy efficiency measures. The cashback scheme closed on 30 June 2014.¹⁰

The Energy Company Obligation

12. The Energy Company Obligation (ECO) works alongside the Green Deal. It uses targets to drive action from the companies who are subject to the obligation. ECO aims to:

provide additional support to deliver measures that are part of a cost-effective strategy for achieving the UK’s carbon targets but which will not be fully financeable through the Green Deal, and provides subsidised measures to low income and vulnerable households to relieve fuel poverty.¹¹

13. The ECO originally placed three obligations on energy suppliers:

8 Department of Energy and Climate Change, [Final Stage Impact Assessment for the Green Deal and Energy Company Obligation](#) (June 2012), p 1

9 Department of Energy and Climate Change, ‘[Green Deal: energy saving for your home](#),’ accessed 7 July 2014

10 Department of Energy and Climate Change, ‘[The Green Deal: Guide to cashback for energy home improvers](#),’ accessed 29 July 2014

11 Department of Energy and Climate Change, [Final Stage Impact Assessment for the Green Deal and Energy Company Obligation](#) (June 2012), p 1

- Carbon Emissions Reduction Obligation (CERO): to deliver total carbon savings of 20.9 MtCO₂ through the installation of measures like solid wall and hard-to-treat cavity wall insulation, which ordinarily cannot be financed solely through the Green Deal.
- Carbon Saving Community Obligation (CSCO): to deliver total carbon savings of 6.8 MtCO₂ through the installation of insulation measures in specified areas of low income. At least 15% of the suppliers' obligation must go to hard-to-reach low-income households in rural areas.
- Home Heating Cost Reduction Obligation (HHCRO, also known as Affordable Warmth): to deliver a total of £4.2 billion savings on energy bills for consumers living in private tenure properties that receive particular means-tested benefits.

The costs of installing measures under ECO are passed on by energy suppliers to all energy consumers through their energy bills. The ECO replaces two schemes, the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP), under which energy suppliers were previously required to deliver emission reduction mainly through the installation of low-cost measures such as loft and cavity wall insulation, partly focused on low-income households.¹²

14. Together, the Green Deal and ECO were designed to support the Government objectives to (1) reduce UK greenhouse gas emissions; (2) address the drivers of fuel poverty; and (3) maintain the security of UK energy supply.¹³ The move from CERT and CESP to Green Deal and ECO represents a shift from schemes relying purely on supplier obligations to the integration of a competitive market-based mechanism.

12 Committee on Climate Change, [Meeting Carbon Budgets – 2014 Progress Report to Parliament](#) (July 2014), p 168

13 Department of Energy and Climate Change, [Final Stage Impact Assessment for the Green Deal and Energy Company Obligation](#) (June 2012), p 5

Recent changes to ECO

15. Between 5 March and 16 April 2014, DECC consulted on a series of suggested changes to ECO, as part of a set of proposals designed to reduce pressures on consumer bills.¹⁴ The Government's response was published on 22 July 2014 and the changes now due to take place include:

- A 33% reduction in the CERO target;
- The introduction of loft insulation, cavity-wall insulation and District Heating system (i.e. "low-cost" measures) as allowable measures under CERO;
- The extension of ECO until March 2017, with new targets imposed for CERO, CSCO and HHCRO at a pro rata of the new March 2015 levels; and
- The possibility of overachievement against March 2015 targets being carried forward to count against March 2017 targets.¹⁵

14 Department of Energy and Climate Change, [The Future of the Energy Company Obligation](#) (March 2014), p 8

15 Department of Energy and Climate Change, [The Future of the Energy Company Obligation](#) (July 2014), p 6

2 Initial Assessment of the Green Deal and ECO

16. Emissions from buildings accounted for 37% of total UK greenhouse gas emissions in 2013, approximately half of which resulted from heating.¹⁶ Increasing the energy efficiency of domestic and non-domestic buildings could therefore contribute significantly towards finding solutions to the energy “trilemma” of reducing CO₂ emissions, while guaranteeing security of energy supply and ensuring affordable delivery. In theory, the Green Deal and ECO represent tangible means to meeting these aims.

Uptake of Green Deal plans

17. In response to our previous report, DECC stated: “The Government considers that saving carbon is the principal objective of the programme”.¹⁷ In March 2013, the Rt Hon Gregory Barker MP, then Minister of State for Climate Change, anticipated that at least “10,000” people would have signed up to the Green Deal by the end of the year.¹⁸ At the time of publication of this report, 300,259 Green Deal assessments had been carried out, but only approximately 4000 Green Deal plans had been or were in the process of being set up.¹⁹ This “deeply disappointing”²⁰ level of uptake has meant that the programme has not made “any real impact up to now”²¹ and “falls a long way short of the 10,000 by the end of 2013 that [...] the Minister was anticipating”.²² This feeling of disappointment was shared across the range of contributors to this inquiry.²³ Dr Nick Eyre, from the University of Oxford, stressed that:

Green Deal finance has perhaps been even more spectacularly unsuccessful than was predicted. Two hundred homes a month is an absolutely trivial contribution to carbon targets.²⁴

The Green Deal and ECO are far from achieving the level of activity seen under their predecessor schemes CERT and CESP.²⁵

16 Committee on Climate Change, [‘Meeting Carbon Budgets – 2014 Progress Report to Parliament’](#) (July 2014) p 31

17 Energy and Climate Change Committee, Second Special Report of Session 2013-14, [The Green Deal: watching brief: Government Response to the Committee’s First Report of Session 2013-14](#), HC 607, p 2

18 BBC Radio 4, [‘You and Yours,’](#) accessed 9 July 2014

19 Department of Energy and Climate Change, [Domestic Green Deal and Energy Company Obligation in Great Britain, Monthly report](#) (August 2014), p 5

20 Q35 [John Alker]

21 Residential Landlords Association ([GRE 012](#)) para 24

22 Q2 [Jenny Holland]

23 Q2 [Jenny Holland], Q35 [Tim Moore], Q166 [Nick Eyre], UK Green Building Council ([GRE 003](#)), Heating and Hotwater Industry Council ([GRE 007](#)) para 46, Residential Landlords Association ([GRE 012](#)) para 24, Citizens Advice ([GRE 018](#)) para 2.3 and 5.1, Electrical Contractors’ Association ([GRE 020](#))

24 Q167 [Dr Nick Eyre]

25 Q166 [Dr Nick Eyre]

18. In its latest report to Parliament, the Committee on Climate Change estimated that at the end of 2013, 4.5 million cavity walls and 7 million solid walls remained uninsulated, with a carbon saving potential of 2 MtCO₂ and 5 MtCO₂, respectively. An additional 0.7 MtCO₂ could be saved as a result of addressing 9 million lofts that still required additional insulation filling.²⁶ The Government's latest statistics reveal that estimated lifetime carbon savings through Green Deal plans have so far been negligible, at 0.04 MtCO₂ through Green Deal plans and 0.07 MtCO₂ through Green Deal cashback.²⁷

19. Mark Bayley, Chief Executive of the Green Deal Finance Company, indicated that the take-up had fallen short of initial expectations and that there were uncertainties going forward:

We have had, over the past year, very significant changes in the energy efficiency landscape and we are now having to work the Green Deal in a very different way to that which we expected when the original forecasts were drawn²⁸

The Minister agreed that his Department had been “surprised by [...] the relatively low take-up to date of finance plans”,²⁹ adding that the absence of the major energy companies on the Green Deal market had contributed to this slow start:

The financing element is still very immature. The principal reason, I think, [...] is very few of the major energy utilities offer it in a real sense. The growth is coming from the new entrants who have a genuine business model that earns them money by helping people save money on their bills.³⁰

20. With such extremely low levels of take-up eighteen months into the life of the policy, the Green Deal has so far been a failure. It is very disappointing that the Government's flagship energy efficiency policy has been so slow to attract customers. We have been and will continue to be supportive of the principle of the Green Deal but the Government needs to set out a clear strategy to revive the failing scheme. The Government must urgently address the barriers which currently prevent wider and faster take-up of the Green Deal.

Barriers to take-up

21. We have identified three types of barriers that have made the Green Deal unattractive to customers: (1) financial barriers; (2) communication and trust barriers; and (3)

26 Committee on Climate Change, [‘Meeting Carbon Budgets – 2014 Progress Report to Parliament’](#) (July 2014) p 162-163

27 Department of Energy and Climate Change, [Data tables: Green Deal, ECO and Insulation Levels, up to March 2014](#) (June 2014), Table 1.15. These estimates may be subject to revision (Department of Energy and Climate Change, [Methodology Note](#) (June 2014), p 22).

28 Q214 [Mark Bayley]

29 Q309 [Gregory Barker]

30 Q307 [Gregory barker]

behavioural barriers. We set out the main characteristics of these barriers below, and offer suggestions as to how they may be overcome in Chapters 3 and 4.

Financial barriers

22. The cost of the assessment and the high interest rate attached to the Green Deal loan have been repeatedly cited as reasons for the poor take-up of the scheme.³¹ Representatives from energy companies told us that the assessment is unpopular amongst customers³² and that “the customer perception is that [the interest rates] are higher than is fair, given the availability of cheaper loans in the market”.³³ Despite the projected savings being the “key selling point for the scheme”,³⁴ consumers regard it as being too costly. Action with Communities in Rural England explained that:

The interest rate on the loan was perceived as high and the process of potential increases by the Green Deal Loan company was seen as confusing. [...] Cheaper sources of finance are available to householders, as demonstrated by the various websites that have advice on the schemes e.g. Which? website.³⁵

23. The length and amount of individual Green Deal loans is determined by the Golden Rule, which in principle safeguards consumers against financial losses. The amount loaned under the rule is derived from the energy savings estimated to arise from the specific measures, following a careful assessment of the property.³⁶ However, we were warned that the methodology can lead to estimates that are too conservative.³⁷ Jenny Holland, Head of the Parliamentary Team at the Association for the Conservation of Energy, told us:

the way in which the Golden Rule is assessed means that the level of energy savings is assessed quite conservatively and that reduces the amount that can be loaned to customers under the Green Deal. That is for a whole series of reasons, including the fact that the in-use factors reduce the level of anticipated energy savings by anything between 15% and 35%.³⁸

31 Carillion ([GRE 028](#)), George Eckton ([GRE 037](#)), ScottishPower ([GRE 054](#)) para 13 and 36, British Property Federation ([GRE 015](#)) para 12, Anglian Home Improvements ([GRE 004](#)), Eastleigh Borough Council ([GRE 021](#)), Electrical Contractors Association ([GRE 020](#)) para 4, Edge ([GRE 045](#))

32 British Gas ([GRE 030](#))

33 RWE npower ([GRE 024](#)) para 37

34 Action with Communities in Rural England ([GRE 051](#)) para 4.3

35 Action with Communities in Rural England ([GRE 051](#)) para 4.1

36 Standard energy savings are assigned to different measures installed in different types of properties. These cost savings are then adjusted downwards to reflect variation in buildings, products, installation techniques and occupant behaviour from those assumed in RdSAP, a factor that is known as the “in-use factor”.

37 Q40 [John Alker], Anglian Home Improvements ([GRE 004](#)), Eastleigh Borough Council ([GRE 021](#)) para 20, British Council of Shopping Centres ([GRE 059](#))

38 Q3 [JennyHolland]

24. Whilst designed to be protective, the Golden Rule is in practice also restrictive. In many cases, it deters potential customers from installing measures they need or desire because they require additional personal investment.³⁹ The UK Green Building Council told us:

Limitations on the amount that can be borrowed under the Golden Rule also mean that some form of top-up finance is required to cover the cost of a package of measures. Due to the complicated application process for Green Deal finance, householders who are required to arrange additional top-up finance are more likely to fully fund the install by other forms of finance.⁴⁰

Citizens Advice concluded that “in order for the Green Deal to attract significant levels of take-up there must be a clear financial incentive to do so, this is not currently the case”.⁴¹

25. *Which?* also warned us that the Golden Rule calculation is based on what a “typical” household would spend on energy. This can disadvantage the fuel poor, who may use less energy and therefore run the risk of repayments exceeding financial savings.⁴²

Communication and trust barriers

26. There are high levels of confusion, misunderstanding and mistrust surrounding the Green Deal. A number of contributors explained that the scheme lacked clarity for both consumers and the supply chain,⁴³ with “conflicting, contradictory and inaccurate information [...] provided in the guidance documents and training materials for Green Deal Advisors”⁴⁴ and confusing messages from DECC.⁴⁵ Nick Chase, Director of Policy and Research at Action with Communities in Rural England, stated:

The evidence that we have had coming back from Green Deal has identified there is confusion about what benefit it delivers. The fact that there is a loan attached to it, and the loan being attached to the property and the fuel costs in the future is a concept I think people find very difficult to grasp.⁴⁶

27. In addition to a lack of understanding, instances of mis-selling have led to a widespread mistrust of Green Deal assessors.⁴⁷ Citizens Advice explained that “the majority of calls made to the Citizens Advice Consumer Helpline in relation to the Green Deal concern

39 UK Green Building Council ([GRE 003](#)) para 4.6, Anglian Home Improvements ([GRE 004](#)), Eastleigh Borough Council ([GRE 021](#)) para 13, Carillion ([GRE 028](#)), British Gas ([GRE 030](#))

40 UK Green Building Council ([GRE 003](#)) para 4.6

41 Citizens Advice ([GRE 018](#)) para 3.5

42 *Which?* ([GRE 019](#)) para 23

43 Action with Communities in Rural England ([GRE 051](#)) para 3.1, National Landlords Association ([GRE 031](#)) para 14, British Council of Shopping Centres ([GRE 059](#)), National Federation of Roofing Contractors ([GRE 025](#)) para 3

44 Association of Residential Letting Agents ([GRE 011](#)) para 27

45 Q11 [Peter Broad]

46 Q133 [Nick Chase]

47 Action with Communities in Rural England ([GRE 051](#)) para 4.3, Q137 [Nick Chase], Citizens Advice ([GRE 018](#)) para 2.5, Q25 [Peter Broad]

potential rogue traders and scams”.⁴⁸ Installer companies themselves have sometimes found that “somebody had been into the area behind them”.⁴⁹ The built-environment think-tank Edge told us that “the existing self-certifying regime by installers is insufficient” and that a more robust quality and assurance process is required to boost customer confidence.⁵⁰ A mystery shopping exercise carried out by *Which?* raised important questions about the quality of the Green Deal assessment⁵¹ and several contributors noted the adverse impact of rogue traders.⁵²

28. As a result, there has been negative press coverage, which has further contributed to its slow take-up.⁵³ Peter Broad, Policy Manager at Citizens Advice, judged that “clearer branding, tighter regulations on doorstep selling and co-ordination between DECC and Trading Standards and other organisations operating in the consumer protection landscape” were needed to tackle this issue.⁵⁴ Jonathan Harley, Head of Operations at the Green Deal Oversight and Registration Body (which manages the authorisation of the Green Deal scheme participants on behalf of DECC), assured us that issues of misconduct were promptly dealt with:

A key part of the oversight and registration body, as well, is obviously to ensure that consumers are protected and we are responsible for maintaining the accreditation framework in relation to the Green Deal [...]. We found that the issues that have been made known to us are of companies who have looked at the new scheme in terms of the Green Deal and tried to be opportunistic around taking advantage of consumers to make a “quick buck” as it were [...] and where we have found concerns of rogue traders, we have dealt with them very quickly.⁵⁵

29. Consumer Futures further raised concerns that, by lacking clarity, the Government’s communications on the Green Deal had been misleading:

They have conflated Green Deal finance, ECO, and energy efficiency measures in general, despite their different offers and levels of consumer protection. They have also misrepresented the nature of Green Deal finance: as recently as 18 January 2014, a DECC spokesman was quoted saying that “no one can borrow more than they will pay back in energy savings, so no one will lose money by taking out a Green Deal loan” which is a misrepresentation of Green Deal finance.⁵⁶

48 Citizens Advice ([GRE 018](#)) para 3.10

49 Q26 [Jenny Saunders]

50 Edge ([GRE 045](#))

51 *Which?* ([GRE 19](#)) para 19, Q16 [Peter Broad]

52 Citizens Advice ([GRE 018](#)) para 3.10, Consumer Futures ([GRE 026](#)) para 20, Qq25-26 [Peter Broad]

53 British Gas ([GRE 030](#)), Carillion ([GRE 028](#)), Association for the Conservation of Energy ([GRE 014](#)) para 1

54 Q26 [Peter Broad]

55 Q247 [Jonathan Harley]

56 Consumer Futures ([GRE 026](#))

30. Following two separate investigations into Green Deal advertisement, the Advertising Standards Authority (ASA) upheld claims of mis-selling on the part of the Green Deal Finance Company and DECC on 21 May and 27 August 2014, respectively.⁵⁷ Mark Bayley, the GDFC Chief Executive, assured us that the GDFC “accept the ASA’s ruling and [...] will make it clear that our loans are for long-term and we will make it clear in making comparisons”.⁵⁸

31. The Green Deal process is too complicated and has led to confusion and mistrust. The Green Deal Oversight and Registration Body plays an important role in regulating activities but better communication across the Green Deal stakeholder chain is necessary. Publication of misleading information by GDFC and DECC further undermines a programme that already suffers from poor public understanding and interest. Until consumer trust and understanding are improved, the Green Deal is unlikely to see any substantial increase in take-up. We address this further in Chapter 4.

Behavioural barriers

32. As a market-based mechanism, the Green Deal relies on the commitment, engagement and action of individual customers. However, the attachment of the Green Deal loan to the property is an alien concept to most people and is frequently viewed as detrimental to owners should they wish to sell or rent their property.⁵⁹ This is exacerbated by a general unwillingness to take-on an additional loan and run the risk of becoming over-indebted in the face of financial and policy uncertainties.⁶⁰

33. While consumers may be aware that insulation improvements can lead to financial savings, the perceived time, effort and disruption of energy efficiency improvements can be off-putting.⁶¹ Several contributors told us that this ‘hassle factor’ was contributing to the poor take-up of the Green Deal.⁶² Peter Broad, Policy Manager at Citizens Advice, suggested that incentivising the public was important in taking the Green Deal forward:

you need to be looking at why consumers are not engaging more widely in energy efficiency; so bigger barriers, hassle, lack of awareness and things like that. While you can improve Green Deal finance per se, I think you need to

57 Advertising Standards Authority, ‘[ASA Adjudication on The Green Deal Finance Company Ltd](#)’ and ‘[ASA Adjudication on Department of Energy and Climate Change](#),’ accessed 27 August 2014

58 Q239 [Mark Bayley]

59 Action with Communities in Rural England ([GRE 051](#)) para 4.1, Residential Landlords Association ([GRE 012](#)) para 7, Sheffield LATAG ([GRE 057](#))

60 Citizens Advice ([GRE 018](#)) para 3.7, Action with Communities in Rural England ([GRE 051](#)) para 4.1

61 Rosenow and Eyre, “[The Green Deal and the Energy Company Obligation](#)”, Proceedings of the Institution of Civil Engineers, vol 166 (2013), pp 131-132

62 Edge ([GRE 045](#)), Citizens Advice ([GRE 018](#)) para 3.12, Association for the Conservation of Energy ([GRE 014](#)) para 12, Carillion ([GRE 028](#)), Q37 [Richard Lambert]

look much more widely at how you incentivise consumers to take up energy efficiency wherever you can⁶³

34. The Minister acknowledged that rolling-out the Green Deal to acceptable levels would require “significant behavioural change as well as innovation”.⁶⁴ It has been suggested that, to help raise awareness and shift mentalities towards energy efficiency, the installation of Green Deal measures could be integrated within a wider spectrum of home improvements,⁶⁵ “rather than trying to separate energy efficiency from the rest of [what] goes on in the building stock”.⁶⁶

Identifying clear objectives

35. In our first report on the Green Deal, we recognised that it was too early to set hard targets for the scheme, as these might lead to mis-selling in order to meet goals. However, we stressed the importance of consistent and accurate monitoring of different aspects of the Green Deal. DECC publishes monthly and quarterly statistics for the Green Deal and ECO,⁶⁷ and monitors public awareness of the schemes.⁶⁸ We were pleased to see that a number of our previous recommendations regarding useful monitoring data⁶⁹ have been or are in the process of being integrated into these statistics.⁷⁰

36. However, given such a low level of take-up eighteen months into the life of the scheme, it is important that objectives and projections be set against which progress on the roll-out of the programme can be judged in the years to come.⁷¹

37. During our previous scrutiny of the Green Deal, Mr David Thomas, Deputy Director, Green Deal Consumer Demand, DECC, told us that DECC expected one million Green Deals by March 2015, through “installations involving ECO, installations not involving ECO, people paying for things through Green Deal finance and people not paying through that”.⁷² During the present inquiry, the Minister told us that:

63 Q5 [Peter Broad]

64 Q305 [Gregory Barker]

65 Q13 [Jenny Saunders], Q54 [Richard Lambert], Q154 [Nick Chase]

66 Q194 [Dr Nick Eyre]

67 Department of Energy and Climate Change, ‘[Green Deal and Energy Company Obligation \(ECO\) statistics](#),’ accessed 8 July 2014

68 Department of Energy and Climate Change, ‘[Energy Saving Advice Service \(ESAS\) calls and Green Deal webpage views and Green Deal Home Improvement Fund \(GDHIF\) application data](#),’ accessed 8 July 2014

69 Energy and Climate Change Committee, First Report of Session 2013-14, [The Green Deal: watching brief](#), HC 142, recommendation 16

70 Energy and Climate Change Committee, Second Special Report of Session 2013-14, [The Green Deal: watching brief: Government Response to the Committee’s First Report of Session 2013-14](#), HC 607, Department of Energy and Climate Change ([GRE 065](#))

71 Energy and Climate Change Committee, First Report of Session 2013-14, [The Green Deal: watching brief](#), HC 142, para 72

72 Oral evidence taken on [6 February 2013](#), HC (2013-14) 142, Q49

That is something that we are still committed to and, broadly speaking, remain on track for by March 2015. We currently have succeeded in installing measures through the combination of Green Deal, ECO and its supporting programmes in about 660,000 homes as of March. It is significantly above that in real time now.⁷³

38. However, these commitments still fail to set a framework through which the Green Deal itself will be assessed. The UK Green Building Council judged that:

It is disappointing that no targets have been set for the delivery of installations or carbon reductions under Green Deal. This would help to clarify Government's ambitions for the scheme and provide more certainty to industry about the likely scale of delivery over time.⁷⁴

39. Mark Bayley, Chief Executive of the Green Deal Finance Company (GDFC), explained that the ambition of the GDFC was to see Green Deal plans set up in "one million homes by 2020 or more".⁷⁵ He acknowledged that this number is a long way away from the number of plans set up or in the process of being set up to date:

I have to be absolutely clear that the forecasts on which the investors set up the company have not been met. That is true. Those forecasts were prepared at the desktop. They were before engagement with the consumer.⁷⁶

40. The Minister told us that:

the aim of the Green Deal is not to sell finance plans. [...] We are in the business of improving the energy efficiency of the housing stock of Great Britain; we are not in the business of simply saying, "Success for us is selling finance plans." Finance plans are a means to an end. Now, if the ends can be reached by other means that are acceptable to consumers, because they choose to self-pay rather than take a plan, that has to be, by any objective measure, success.⁷⁷

The Minister further stated that "anything that stems from a Green Deal assessment must be counted as part of the Green Deal market".⁷⁸ While the installation of energy efficiency measures is, as many contributors have said, an important step in the achievement of the Department's goals,⁷⁹ it is surprising that the Minister was so dismissive of the Green Deal finance, when that had been presented as the selling point of the programme at its inception.

73 Q305 [Gregory Barker]

74 UK Green Building Council ([GRE 003](#)) para 9.3

75 Q234 [Mark Bayley]

76 Q214 [Mark Bayley]

77 Q308 [Gregory Barker]

78 Q313 [Gregory Barker]

79 Q2 [Peter Broad], Eastleigh Borough Council ([GRE 021](#)) para 6

41. **The Government needs to deal with the criticisms surrounding the poor take-up of the Green Deal. A lack of public commitment towards selling Green Deal plans is contributing to the increasing uncertainty surrounding the future of the Green Deal.**

42. We recommend that DECC set out a robust framework through which the Green Deal can be assessed. In particular, DECC should be clearer about its ambition for the number of plans sold and CO₂ saved through measures installed under Green Deal. The Government should also clarify its expectations of CO₂ saved through other energy efficiency programmes. The Department and The Green Deal Finance Company should communicate a consistent message on what success will look like.

The Energy Company Obligation and the Green Deal

43. ECO originally obliged suppliers to install more costly measures such as solid wall insulation and hard-to-treat cavity wall insulation, with the market-based Green Deal facilitating the installation of low-cost measures under the Golden Rule.⁸⁰ However, the recent changes to ECO mark a return to a focus on lower-cost loft and cavity-wall insulation. While this move has been welcomed by the energy companies,⁸¹ it has created uncertainty and stalled the market along the supply chain.⁸² Dr David Kennedy, from the Committee on Climate Change, agreed that the focus of ECO on low-cost opportunities was sensible both “from a carbon-saving point of view” and “from a cost-effectiveness point of view”.⁸³ However, others argued that the 33% cut to the carbon reduction target of ECO and the generous carry-over of points for measures installed early,⁸⁴ showed a lack of ambition.⁸⁵

44. The changes to ECO risk undermining the Green Deal because whereas low cost measures can now be installed through ECO, the Golden Rule prevents the installation of higher cost measures using a Green Deal loan. There is a lack of clarity on how the relationship between the Green Deal and ECO will evolve, and what the Green Deal will now be used for.⁸⁶ Peter Broad, Policy Manager at Citizens Advice, warned that the changes to ECO will be detrimental to the Green Deal:

The framework that DECC set out and which we supported was that consumers who can pay pay, and the ECO supports measures that either are too expensive to be cost effective, particularly solid-wall insulation, and also

80 Committee on Climate Change, [Meeting Carbon Budgets – 2014 Progress Report to Parliament](#) (July 2014), p 168

81 British Gas ([GRE 030](#)), ScottishPower ([GRE 054](#)) para 19, RWE npower ([GRE 024](#)) para 35

82 UK Green Building Council ([GRE 003](#)) para 8.3, Anglian Home Improvements ([GRE 004](#)), Heating and Hotwater Industry Council ([GRE 007](#)) para 44, British Property Federation ([GRE 015](#)) para 19, RWE npower ([GRE 024](#)) para 23, Consumer Futures ([GRE 026](#)) para 27, Carillion ([GRE 028](#))

83 Q165 [Dr David Kennedy]

84 Q7 [Jenny Holland], Mark Group ([GRE 017](#)) para 6, Consumer Futures ([GRE 026](#)) para 37

85 Q170 [Dr David Kennedy], Committee on Climate Change, [Meeting Carbon Budgets – 2014 Progress Report to Parliament](#) (July 2014), p 11

86 UK Green Building Council ([GRE 003](#)) para 10.1, Consumer Futures ([GRE 026](#)) para 34, Q170 [Dr David Kennedy], Insulated Render and Cladding Association ([GRE 027](#))

measures for low income households who cannot afford to install measures themselves. However, the Energy Company Obligation under the proposals put forward by DECC is being opened up to support cheap cavity wall and loft insulation for the able-to-pay sector. Those are measures that should be funded by consumers themselves. I think in that sense it very much does undermine the Green Deal.⁸⁷

45. The question becomes: “Why would anybody do Green Deal if they can get those measures out of ECO”?⁸⁸ Mr Chris Nicholls, Head of the Green Deal and ECO analysts and economists at DECC, acknowledged that:

By including low cost measures then this suggests that the households who would have otherwise taken out a Green Deal plan or other forms of self-finance to undertake the cheaper measures would now be able to get UK funding for those.⁸⁹

46. The Minister suggested that customers faced a variety of options in terms of financing higher cost measures that cannot be solely funded by a Green Deal loan:

There are three major sources. There is the Green Deal Communities, which can work in conjunction with Green Deal finance and ECO. There is ECO itself and there is the Green Deal Home Improvement Fund. Each of those offer in varying ways the opportunity for partial subsidy of measures, either to bring them into the Golden Rule or to bring them in to a level where self-finance is a sensible and affordable proposition, or in some cases to cover the whole cost where that household is in fuel poverty.⁹⁰

47. The Green Deal and ECO have similar goals but are different programmes operating in distinct ways. They should be complimentary rather than competitive. Allowing loft and cavity wall insulation under CERO raises the question of what the Green Deal will now be used for. It is not clear what impact the recent changes to ECO will have on the take-up of the Green Deal.

48. *We recommend that DECC clarifies what it expects the Green Deal to be used for during the lifetime of ECO and produces clear consumer guidance as to the different ways in which Green Deal finance can be used (for example in isolation or in combination with other schemes and incentives). A one-stop place for consumers to determine their options would greatly simplify the customer journey and encourage take-up where households may not be aware of the combination of options available to them.*

87 Q6 [Peter Broad]

88 Q187 [Nick Eyre]

89 Q380 [Chris Nicholls]

90 Q381 [Gregory Barker]

49. The changes to the Energy Company Obligation so early in the life of the policy have created uncertainty across the Green Deal and ECO supply chain.⁹¹ Having geared up for delivery under CERO, the solid wall insulation industry now faces a potential lack of demand for the years to come as “these measures will require significant amounts of top-up funding to be installed using Green Deal finance”.⁹² The use of top-up funds and other finance options are discussed in further detail in the next chapter.

91 Committee on Climate Change, [Meeting Carbon Budgets – 2014 Progress Report to Parliament](#) (July 2014), p 169

92 UK Green Building Council ([GRE 003](#)) para 10.1

3 Providing a more attractive proposition

Green Deal finance

50. Although the interest rates offered by the Green Deal Finance Company (GDFC) are competitive for the type of loan proposed,⁹³ they are not necessarily attractive to consumers.⁹⁴ With the availability of cheaper means to finance the installation of energy efficiency measures, such as mortgages or personal funding, it is important to understand who truly benefits from Green Deal finance.

51. The credit threshold required by the Green Deal Finance Company to qualify for a Green Deal loan is lower than that of many standard loans, making the Green Deal available to over 80% of the population.⁹⁵ Nonetheless, the loan remains quite niche,⁹⁶ as households passing standard credit checks would often be able to obtain other loans at a cheaper rate. Mark Bayley, Chief Executive of the GDFC, recognised that Green Deal finance was aimed at those who are unable to secure credit on decent terms.⁹⁷ The Minister acknowledged that “the benefit of taking finance is marginal compared to the benefit of paying for it all up front and getting the savings immediately”.⁹⁸

52. Reducing the interest rates would make the loan a more attractive proposition for a wider range of households, but Mr Bayley told us that the interest rates were as low as feasible:

The only way to get the rate lower would be outright subsidy to subsidise the rate and that is a completely different debate. What I would say is, however attractive we make the rate, we still come back to the problem that, however good the product is, you have to get it into the hands of the consumer and I think that is the challenge over the next 12 months, not necessarily taking the rate very much lower.⁹⁹

Reducing the interest rate seems unlikely without a significant investment from Government to either subsidise or guarantee the loans.¹⁰⁰

93 Q3 [Jenny Holland], Q14 [Peter Broad], Q139 [Holly Sims], Citizens Advice ([GRE 018](#)) para 3.5

94 UK Green Building Council ([GRE 003](#)) para 10.3

95 The Green Deal Finance Company ([GRE 010](#)) para 23, Q231 [Mark Bayley]

96 Q14 [Peter Broad]

97 Q230 [Mark Bayley]

98 Q318 [Gregory Barker]

99 Q238 [Mark Bayley]

100 UK Green Building Council ([GRE 003](#)) para 4.7

53. Another way to make the Green Deal more financially attractive would be to introduce some flexibility in the Golden Rule.¹⁰¹ John Alker, Director of Policy and Communications at the UK Green Building Council, suggested that:

you could reduce the overall amount paid by having flexibility introduced in the application of the Golden Rule so that that loan was not spread over such a long period and would reduce the overall interest payments. You could also allow repayments to vary over time for inflation, which would arguably make it a more attractive proposition for investors. However, the issue with either of those decisions would be that you have to balance it out with consumer protection, which has been introduced for very understandable reasons.¹⁰²

Mr Bayley added that:

the Golden Rule is based on taking the laboratory results of energy efficiency and applying a discount of, typically, about 25% to what the energy efficiency would be like out in the field. That needs to be looked at in the light of evidence to see whether that is too much of a discount. It is also important that the Golden Rule is calculated on the past three years of energy prices and does not allow for the potential for energy prices to escalate. I think that is another very conservative factor in the calculation.¹⁰³

54. Financial incentives, such as cashback and subsidies have also been made available to customers. The Green Deal cashback allowed households in England and Wales to receive money back on the installation of energy efficiency improvements through the Green Deal.¹⁰⁴ Applications for the scheme closed on 30 June 2014 and cashback vouchers must be redeemed by 30 September 2014. While it “has a definite role to play in take-up of the Green Deal”,¹⁰⁵ the cashback scheme was generally viewed as being ineffective in stimulating take-up.¹⁰⁶ We also heard that it was “not enough to reach customers who have previously not shown any interest in the Green Deal”.¹⁰⁷ There were also concerns expressed that most of the cashback vouchers claimed had been used for replacing boilers that would have been replaced anyway.¹⁰⁸

55. Separately to both Green Deal finance and Green Deal cashback, the Green Deal Home Improvement Fund was launched on 9 June 2014 and enabled customers to claim up to £6000 cashback for installing solid wall insulation, and £1000 for installing two measures

101 British Gas ([GRE 030](#)), RWE npower ([GRE 024](#)) para 38

102 Q44 [John Alker]

103 Q244 [Mark Bayley]

104 Department of Energy and Climate Change, ‘[The Green Deal Cashback for energy-saving home improvers](#),’ (accessed 26 August 2014)

105 British Gas ([GRE 030](#))

106 Heating and Hotwater Industry Council ([GRE 007](#)) para 8, RWE npower ([GRE 024](#)) para 3, ScottishPower ([GRE 054](#)) para 13

107 British Gas ([GRE 030](#))

108 Q57 [John Alker], Mark Group ([GRE 017](#)) para 14, Which? ([GRE 019](#)) para 8, Carillion ([GRE 028](#))

from an approved list, amongst other offers. The scheme proved to be very popular, and a surge in applications in July resulted in the allocated budgets (£120 million) being reached in just over 6 weeks.¹⁰⁹ While the popularity of the scheme shows that an appetite exists for energy efficiency installations, its sudden and unexpected closure risks undermining confidence in DECC's ability to deliver sustainable and consistent energy efficiency policies.

56. The introduction of tax-based incentives has been suggested as another way of increasing demand for the Green Deal.¹¹⁰ Variable stamp-duty and council tax rates might motivate customers more directly and raise interest in energy efficiency measures more quickly than the Green Deal has managed to do so far,¹¹¹ and could prove “an encouragement to pursue Green Deal plans through Green Deal finance”.¹¹² John Alker, Director of Policy and Communications at the UK Green Building Council, suggested that “energy efficiency needs to be structurally embedded into the housing market”.¹¹³ Jenny Holland, from the Association for the Conservation of Energy, suggested that offering top-up loans would be one way of improving take-up:

Offering a top-up loan alongside the Green Deal finance obviously covers that problem whereby the Green Deal finance on its own can't cover the package of Green Deal recommended measures. I think that is an important route down which to try to go more generally.¹¹⁴

57. We were pleased to hear the Minister state that the GDFC was looking into ways to offer top-up loans to allow households to install measures not fully covered by the Golden Rule:

One of the things that we are looking at with the Green Deal Finance Company is top-up loans, because the whole point of the Green Deal finance in its purest form is it is able to be attached to the meter and you can move away and the next person will pick up the tab. It will not act as a disincentive to future purchases of that property because they will know that netted out the savings are greater than the repayments.

If people want to go on and install measures, which is fantastic if they do, and want access to finance, that we want to be as helpful as possible.¹¹⁵

58. We welcome the Government's commitment to introduce a financing mechanism available to those who would not otherwise be eligible for a loan, but DECC's current offer is burdensome and limiting. Unless the package is made more attractive to a wider

109 Department of Energy and Climate Change, '[Green Deal: Energy saving for your home](#),' (accessed 26 August 2014)

110 Q5 [Peter Broad], Consumer Futures ([GRE 026](#)) para 13

111 Q27 [Peter Broad, Jenny Holland], Q190 [Dr Dorte Rich Jorgensen], Edge ([GRE 045](#))

112 Electrical Contractors' Association ([GRE 020](#))

113 Q37 [John Alker]

114 Q5 [Jenny Holland]

115 Q347 [Gregory Barker]

group of consumers, Green Deal finance is likely to remain unappealing to many. We understand that DECC may be unwilling to subsidise the loans in order to lower the interest rates on Green Deal finance, but there may be other financial opportunities available, which could prove more attractive to customers.

59. We recognise the need for consumer protection in calculating the Golden rule, but DECC should be able to offer a better deal for consumers. We recommend that DECC review whether it is being too cautious in calculating projected energy savings and in-use factors, so that the Golden Rule may become more ambitious. Other financial incentives, such as stamp duty discounts and variable council tax rates for more energy-efficient households, as well as other measures and regulations, should also be experimented with.

Streamlining the application process

60. As it stands, the energy efficiency sector is “a minefield for consumers”.¹¹⁶ It is crucial that the current Green Deal process be simplified.¹¹⁷ Jenny Holland, from the Association for the Conservation of Energy, explained that complexity of the Green Deal paperwork needed to be reduced:

The Green Deal paperwork amounts to 20 pages, which compares very unfavourably to about five pages when you are just going to take out an ordinary bank loan. [...]

It is very difficult for the average householder who is not well versed in energy efficiency technicalities to understand their Green Deal assessment report. It gets more complicated because they also have an Energy Performance Certificate, an EPC, at the same time. I think a lot of householders, quite reasonably, are saying, “Why do I get these two reports? What is the difference between them? Why do they give different figures for my energy costs? Why do they give different figures for the savings that I might get from installing energy efficiency measures?”¹¹⁸

According to Claire Williams, Managing Director at British Gas New Energy, “there is definitely opportunity to make the assessment shorter, simpler, lighter and therefore less expensive”.¹¹⁹

61. Mr Bayley explained that the GDFC was “working very hard” to simplify the process for customers.¹²⁰

116 Consumer Futures ([GRE 026](#)) para 48

117 Q37 [Time Moore], Heating and Hotwater Industry Council ([GRE 007](#)) para 12, Local Government Association ([GRE 013](#)) para 9.5, Mark Group ([GRE 017](#)) para 4, Consumer Futures ([GRE 026](#)) para 48, Insulated Render and Cladding Association ([GRE 027](#)), Carillion ([GRE 028](#)), British Gas ([GRE 030](#))

118 Q3 and Q25 [Jenny Holland]

119 Q70 [Claire Williams]

120 Q218 [Mark Bayley]

We have also done a lot of work simplifying the process to on-board Green Deal providers in the use of our financing systems as well. The process now takes three weeks for the fastest providers, whereas the first ones took about three months when we were inventing the process. All parts of the process we have looked at, we have asked ourselves, “Do we really need this? Do we really need that? How can we make it faster, quicker, better?”¹²¹

62. The Green Deal Oversight and Registration Body, the ombudsman body dealing with complaints, is attempting to “demystify those processes for providers and give them the knowledge and the confidence to be able to operate in the Green Deal”.¹²² DECC is also exploring how to simplify the Green Deal and is “in the process of examining how it can streamline and improve the Green Deal, particularly for those who choose to fund the installation of measures through Green Deal finance”.¹²³ If effectively implemented, these changes could “remove some barriers faced by the supply chain and consumers”.¹²⁴

The Department has already announced plans to make Green Deal easier for consumers (including improved online and call centre advice) and for business (including being able to take consumers from a quote to a plan in a day).¹²⁵

63. A “Green Deal in a day” process was piloted earlier this year. It shortens the application process for a Green Deal loan¹²⁶ and allows customers to “have the Green Deal at the point at which they make their financing decision”.¹²⁷ Mr Bayley explained that:

There is still a bit more backstage complexity that we need to get sorted to make that happen as swiftly as we possibly can [...]

I want to ensure the Green Deal in a day process can be made available to all our providers. It requires quite a lot of technological interaction from one end of the process to the end of our systems and I think automation too can make it better.¹²⁸

64. *The Government should set out in its response the extent to which (a) improvements in consumer advice and (b) the offer to take businesses from quote to plan in a day have increased the uptake of the Green Deal. DECC should bring together the organisations working across the different stages of the Green Deal process to develop a shorter, more streamlined process across all parts of the Green Deal supply chain. We recommend that DECC sets out a strategy to monitor the impact of the different changes. The Green Deal*

121 Q299 [Mark bayley]

122 Q227 [Jonathan Harley]

123 Department of Energy and Climate Change ([GRE 052](#))

124 ScottishPower ([GRE 054](#)) para 34

125 Department of Energy and Climate Change ([GRE 052](#))

126 Q70 [Claire Williams], Q261 [Mark Bayley]

127 Q299 [Mark Bayley]

128 Q261 and Q300 [Mark Bayley]

Finance Company should develop the “Green Deal in a Day” so that it can be offered by all providers, while still ensuring that the process remains robust when moving from an assessment to a plan in a shorter period of time.

Enabling access

65. We heard that the Green Deal was crippled by the insufficient number of Green Deal providers available to consumers: homeowners faced a limited choice and sometimes failed to find a provider at all.¹²⁹ RWE npower concluded that a vicious circle was developing:

Until there is sufficient demand from consumers for more energy efficient homes and products, it remains less likely that companies will invest in the necessary infrastructure to deliver Green Deal (which could by extension) exacerbate any existing deficiencies in geographic or distributional access.¹³⁰

This issue is particularly difficult in rural areas,¹³¹ where householders are “much more limited in the number of companies that come up”.¹³² Mr Bayley, from the GDFC, acknowledged that:

We only have 137 Green Deal providers registered [...], of which only 50 are on-boarded with us and able to use our financing systems. There is a critical point here that what needs to be looked at is a means of distributing Green Deal plans to the consumer.¹³³

66. Rural areas are particularly badly served, and there have been “documented cases where consumers have not been able to find assessors willing to travel to rural areas to conduct Green Deal assessments”.¹³⁴

67. Access to ECO is also uneven. Calor Gas raised “serious concerns regarding access to, and the delivery of ECO in rural off gas grid areas, and in particular the delivery of the Affordable Warmth and Carbon Saving Communities elements of ECO”:¹³⁵

ECO-obligated energy suppliers have full discretion to determine the extent of support they (or their contractors/agents) provide to households and the measures they choose to install. This is of great concern for rural off gas grid households as there is already evidence that suppliers are only providing a

129 UK Green Building Council ([GRE 003](#)) para 7.1, Anglian Home Improvements ([GRE 004](#)), ScottishPower ([GRE 054](#)) para 23

130 RWE npower ([GRE 024](#)) para 17

131 Q20 [Jenny Saunders]

132 Q134 [Holly Sims]

133 Q215 [Mark Bayley]

134 Heating and Hotwater Industry Council ([GRE 007](#)) para 39

135 Calor Gas ([GRE 001](#)) para 1.2

limited number of energy efficiency measures to eligible rural households, if at all.¹³⁶

68. Because access to ECO is competitive “there is no automatic entitlement to funding”:¹³⁷ “different consumers represent different ECO value to the energy supplier”,¹³⁸ leading some consumers to be targeted above others. RWE npower acknowledged that “many properties are not cost-effective to treat”.¹³⁹ Consumer Futures suggested that a data-matching system, for example between the Department of Work and Pensions and the energy companies, would help identify and target those most in need.¹⁴⁰

69. More than half way through the first phases of ECO (1 January 2013 to 31 March 2015), only 30% of the carbon saving and 20% carbon reduction targets have been met by the energy companies, but only 2% of the rural sub-obligation of CSCO has been carried out.¹⁴¹ Furthermore, contributors suggested that the CSCO sub-obligation definition of “rural” as a settlement with less than 10,000 inhabitants meant that isolated households off the gas-grid rarely accessed this funding.¹⁴²

70. DECC argued that the statistics on access to Green Deal assessments were encouraging:

Around 13 per cent of all properties in Great Britain are off the mains-gas grid, which is similar to the 12 per cent of properties which had a Green Deal assessment and were off the mains-gas grid.

The large majority of Local Authorities had at least 25 Green Deal Assessments, showing that Green Deal Assessments were spread across the country.¹⁴³

However, throughout this inquiry we have continued to hear that finding a Green Deal provider or being selected to benefit from ECO funding has proved difficult in many regions.

71. It is disappointing that customers wishing to take out a Green Deal plan are either not able to find a provider, or refused services by a provider on the grounds of distance. Even more worrying is the lack of access to the Energy Company Obligation for rural customers, who participate in paying for the scheme but often fail to benefit from it.

72. We recommend that the Government should be more proactive in identifying the households most in need and ensuring that they are targeted by energy companies for the

136 Calor Gas ([GRE 001](#)) para 1.3

137 RWE npower ([GRE 024](#)) para 16

138 EDF Energy ([GRE 053](#))

139 RWE npower ([GRE 024](#)) para 16

140 Consumer Futures ([GRE 026](#)) para 43

141 Ofgem, *Energy Company Obligation (ECO) Compliance Update* (July 2014), p 2 (approved measures)

142 Calor Gas ([GRE 001](#)) para 2.5, National Energy Action ([GRE 009](#)) para 5.7

143 Department of Energy and Climate Change ([GRE 052](#))

delivery of energy efficiency measures under ECO. We also recommend that the CSCO rural sub-obligation should ensure that isolated off gas-grid consumers are not bypassed by energy companies delivering their obligation.

73. Other consumer groups also face challenges. In the Energy Act 2011, two sets of regulations were put forward to address energy efficiency in the domestic private rental sector, by empowering tenants to request consent for energy efficiency measures that may not unreasonably be refused by the landlord, and introducing a minimum energy efficiency standard for domestic properties. DECC recently consulted on proposals relating to the implementation of these regulations, including the provision that landlords can refuse a tenant's request where the funding route proposed by the tenant entails net or upfront costs to the landlord. Funding options available for tenants to ensure that no net or upfront costs are incurred by landlords include "Green Deal finance, ECO, local or national grants, the tenant's own sources or a combination of these".¹⁴⁴

74. We welcome DECC's initiatives to encourage energy efficiency in the domestic private rental sector. DECC must ensure that the widest range of options is available to landlords and tenants to carry out the installation of measures.

¹⁴⁴ Department of Energy and Climate Change, [Private Rented Sector Energy Efficiency Regulations \(Domestic\) \(England and Wales\)](#) (July 2014), p 13

4 Prioritising Communication

The Government's promotion of the Green Deal

75. Evidence suggests that public awareness of the Green Deal is not satisfactory: it is too low and frequently reflects a lack of understanding of the scheme in its entirety.¹⁴⁵ Richard Lambert, Chief Executive of the National Landlords Association, noted that DECC had “done very little” in terms of promoting the Green Deal, which has “made it harder” for other organisations to follow.¹⁴⁶ DECC’s promotional campaign for the Green Deal was not ambitious enough and poorly timed, as it was launched before providers were able to deliver Green Deal plans.¹⁴⁷

76. The Department needs to engage more with industry and consumer bodies.¹⁴⁸ Jenny Holland, from the Association for the Conservation of Energy, explained that Government backing was needed to support the supply chain:

without the Government clearly and visibly standing behind the Green Deal, buttressing the Green Deal brand and making it clear to customers that it is something that comes with the Government’s seal of approval, commercial operators cannot just do it on their own.¹⁴⁹

77. John Alker, Director of Policy and Communications at the UK Green Building Council, suggested that poor communication may be a greater barrier to take-up than financial issues:

If there was that appetite for energy efficiency in the first place then, for some people, the finance product would be appropriate, but the key point is whether that appetite is there in the first place and clearly, at the moment, unfortunately it does not look to be there.¹⁵⁰

145 Q5 [Jenny Saunders], Q55 [Richard Lambert], Heating and Hotwater Industry Council ([GRE 007](#)) para 1, Wirral Green Deal Advisors Limited ([GRE 022](#)), Carillion ([GRE 028](#)), British Gas ([GRE 030](#)), Mrs Yvonne Betts ([GRE 046](#)), ScottishPower ([GRE 054](#)) para 7, Electrical Contractors’ Association ([GRE 020](#))

146 Qq 55-56 [Richard Lambert]

147 Q22 [Jenny Holland], Mark Group ([GRE 017](#)) para 12-13

148 Q145 [Holly Sims], Association of Residential Letting Agents ([GRE 011](#)) para 36, Wirral Green Deal Advisors Limited ([GRE 022](#)), Glass and Glazing Federation ([GRE 023](#)) para 19, National Federation of Roofing Contractors ([GRE 025](#)) para 2

149 Q22 [Jenny Holland]

150 Q41 [John Alker]

Mark Bayley, Chief Executive of the Green Deal Finance Company added that:

I think we have to make consumers more aware of the Green Deal and aware of the benefits. It is that part of the attraction rather than the basic proposition, which is a very good one.¹⁵¹

Unless the Government clearly champions energy efficiency improvements as “the best way to both protect against higher energy bills and to reduce energy waste [...] the necessary cultural change required for a mass market roll-out” will not be delivered.¹⁵²

78. The Government must focus on communicating a message that will most effectively incentivise consumers and make them aware of the benefits of energy efficiency. Dr David Kennedy, then Chief Executive of the Committee on Climate Change, stressed that getting this message across was key to the UK meeting its carbon targets:

We have carbon budgets in legislation that we are supposed to meet. You can either do it in a cheap way or you can do it in a more expensive way. So the lens you have to bring to that discussion is, if we cannot find ways to enable people to do what ultimately will benefit them, as individuals and households, then it is going to be much more expensive to meet carbon budgets.¹⁵³

79. The Association of Residential Letting Agents noted that DECC’s message was currently failing to achieve this aim:

In this time of austerity and financial hardship for many, people are trying to find ways of saving money. This is the fundamental principle behind the Green Deal. However, all of DECC’s communication material focuses on “energy-saving home improvements”. In discussion with DECC officials we have argued that firstly, “energy-saving” does not give the impression of reduced fuel bills and better thermal comfort at home; and secondly, that “home improvement” will be seen by consumers as spending money they do not have. We firmly believe that, in order to achieve better take-up, the key message in all communications must be that the Green Deal creates warmer homes that are cheaper to heat.¹⁵⁴

80. The Minister agreed that the slow uptake of the Green Deal could be partly attributed to inadequate marketing. This, however, he attributed to the lack of involvement of the larger companies:

We anticipated that the private sector would drive that—the larger companies. I think, because they have been slower to come forward with

151 Q218 [Mark Bayley]

152 RWE npower ([GRE 024](#))

153 Q183 [David Kennedy]

154 Association of residential Letting Agents ([GRE 011](#)) para 9

their offers, there has been less private sector advertising than we anticipated in the early stages, so there is a need for Government communications.¹⁵⁵

81. It was a mistake for DECC's most recent promotional campaign to focus only on the new Green Deal Home Improvement Fund offering "up to £7,600" back on home energy improvements. It conflated the new incentive with Green Deal finance, causing further confusion as to the nature of the different schemes. The campaign, it seemed, was designed to distract from the poor take-up of the Green Deal by offering seemingly "unmissable" financial incentives. It is absurd that it has now been shut so soon after its inception.¹⁵⁶

82. Better and more consistent branding of the Green Deal and ECO would also help build trust in the Government's schemes.¹⁵⁷ The Government and the Green Deal supply chain must collaborate to promote the Green Deal and deliver a consistent message.¹⁵⁸ Action with Communities in Rural England explained that the lack of promotion was:

leading to a huge lack of knowledge and awareness and a variety of different companies and organisations involved at different levels, each with their own agenda, leading to a lack of trust/confidence in the schemes.¹⁵⁹

Carillion, a Green Deal provider, noted that the market "has always maintained its willingness to work collaboratively with DECC" and that industry partners were eager to be involved in communications.¹⁶⁰ It is a shame that, as it stands, some companies such as the Wirral Green Deal Advisors Limited "feel [they] are not valued" in this process.¹⁶¹

83. The Green Deal is suffering from a lack of engagement between consumers and the market. Renewed efforts to promote the Green Deal and energy efficiency must now be a major priority for the Government. The Government's initial promotional campaign came too early, before the Green Deal Finance Company and the supply chain were in a position to provide plans. The Pay-as-you-save model and the attachment of the loan to a property rather than the individual taking-up the loan remains a relatively novel concept and the Government has failed to make the case for the benefits of energy efficiency improvements. The recent Green Deal Home Improvement Fund campaign failed to address the underlying drivers of energy efficiency installations. By offering "free" incentives, which it then found itself unable to deliver, the Department is likely to have caused more confusion and mistrust without addressing the root of the problem: explaining the personal and societal advantages of retrofitting the UK's housing stock.

155 Q305 [Gregory Barker]

156 Department of Energy and Climate Change, "[Applications to the Green Deal Home Improvement Fund close](#)," accessed 29 July 2014

157 Q23 [Peter Broad], National Federation of Roofing Contractors ([GRE 025](#)), ScottishPower ([GRE 054](#)) para 10

158 British Gas ([GRE 030](#)), ScottishPower ([GRE 054](#)) para 9

159 Action with Communities in Rural England ([GRE 051](#)) para 3.1

160 Carillion ([GRE 028](#))

161 Wirral Green Deal Advisors Limited ([GRE 022](#))

84. A new communication strategy is needed, which promotes energy efficiency for (a) individuals; (b) communities; and (c) the country's long-term goals. In relying on providers to carry out the Green Deal marketing, the Government has failed to communicate the wider benefits of energy efficiency. DECC should acknowledge its responsibility for doing this. The Department should draw on external marketing experts as necessary and collaborate closely with all players in the market. Clear and consistent messages must be communicated by all of those involved in Green Deal and ECO.

Delivering focussed communications

85. To promote the Green Deal, and energy efficiency, as widely as possible, it is important that DECC addresses the needs of different groups of consumers, and that communication be adapted accordingly.¹⁶² Efforts are notably needed in rural areas, where it can be particularly difficult to engage with consumers.¹⁶³ Holly Sims, Corporate Affairs Manager at Calor Gas, noted the importance of delivering the right messages to residents:

It has to be about saving money. We know fuel bills are higher in rural areas. We know that the fuel-poverty gap is much, much higher in rural areas, almost £1,000 as opposed to £400 in urban areas, so I think it has to be a cost-driven message, "You can save money and you can be warmer in your home if you do these things".¹⁶⁴

Jenny Saunders, Chief Executive of National Energy Action, added:

You have people who, because of where they live, will not get access to information. Rural areas are badly served. You have to do something different there. You have the psychological engagement: whether or not that is a barrier to people getting messages. Then, is the offer right for them? Do they see it as a decent proposition?¹⁶⁵

86. Similarly, landlords and tenants have different concerns and needs, and may have a different understanding of the scheme and how they may can benefit from it.¹⁶⁶ Richard Lambert, Chief Executive of the National Landlords Association, explained:

You need to talk very differently to landlords and to tenants because they each need to understand different things and need different messages. You need to realise that in the private rented sector it is the landlord who will take the decision, not necessarily the tenant. [...] That differentiation in messaging is important and has not been grasped.¹⁶⁷

162 Local Government Association ([GRE 013](#)) para 8.5

163 Q146 [Nick Chase], Action with Communities in Rural England ([GRE 051](#)) para 5.1

164 Q147 [Holly Sims]

165 Q20 [Jenny Saunders]

166 National Landlords Association ([GRE 31](#)) para 17,23, Association of Residential Letting Agents ([GRE 011](#)) para 8

167 Q49 [Richard Lambert]

87. As the first port of call for many customers, DECC's website must provide a straightforward customer journey. Mr Bayley told us:

I think the attention now is more about the customer who hits the gov.uk website expressing interest in the Green Deal—what kind of journey do they go through from that point? How can that be made more efficient, how can that be made better? The actual mechanics of selling the Green Deal plan is probably getting towards the end of the road of what we can streamline there.¹⁶⁸

88. As part of DECC's new approach to communication, it should determine the best strategies to promote energy efficiency measures in different areas and to different types of consumers. The Green Deal website should provide a straightforward customer journey and outline the costs incurred at each stage, as well as what incentives and options are available.

Communicating at a local level

89. Local communication, word-of-mouth, recommendations from friends and family, and seeing neighbours installing measures have been judged some of the most effective drivers of action:¹⁶⁹ “nothing raises awareness of an issue like seeing it happen on your doorstep, in your community and in your neighbourhood”.¹⁷⁰ In rural areas, “getting a local agent on board, someone who is trusted within a rural community, is absolutely key”.¹⁷¹

90. Local authorities and community groups have an important role to play in boosting this demand.¹⁷² Dr Nick Eyre, from the Environmental Change Institute at the University of Oxford, explained:

I think where we need local action is much more in delivery and building trust. It is always a good way to get a laugh in a public meeting to point out that we need trust in promotion of energy efficiency, so we have put it in the hands of politicians, energy companies and now added banks on to the list. Of course, I have great faith in all those institutions, but the public in general doesn't. Local authorities, community groups are definitely better able to do that.¹⁷³

The Local Government Association told us:

168 Q300 [Mark Bayley]

169 Q56 [John Alker], Green Deal Finance Company ([GRE 010](#)) para 29, EDF Energy ([GRE 053](#))

170 Q55 [Tim Moore]

171 Q133 [Holly Sims]

172 Q56 [John Alker, Tim Moore], National Energy Action ([GRE 009](#)) para 4.3, Local Government Association ([GRE 013](#)) para 4, Eastleigh Borough Council ([GRE 021](#)) para 3

173 Q176 [Dr Nick Eyre]

Councils understand their communities and are uniquely well placed to pinpoint the areas where upgrades will do the most good and work in partnership to lever in funding and activity to deliver programmes effectively.¹⁷⁴

91. DECC's Green Deal Communities Fund, which ran until 31 December 2013, allowed local authorities to bid for £1 million to £3 million pots of funding to deliver Green Deal plans on a local scale and come forward with innovative street- and area-based approaches.¹⁷⁵ The initial £20 million funding for this scheme was increased to £80 million "to promote Green Deal on a street by street basis" and "incentivise the delivery of hard to treat cavity and solid wall insulation".¹⁷⁶ On 2 April 2014, DECC announced that local authorities across the country would each receive a share of £88 million to "help deliver the Government's Green Deal home energy efficiency improvement programme".¹⁷⁷

92. The grant-funded Big Energy Saving Network (BESN), in which network 'Champions' are selected to receive specialised training paid for by DECC and delivered by National Energy Action (NEA), has been particularly effective in promoting energy efficiency and driving demand.¹⁷⁸ The 'Champions' are responsible for recruiting and training additional volunteers and leading the delivery of outreach programmes. These programmes are designed to help vulnerable consumers reduce their energy costs through assisted action on tariffs, switching and the demystifying of energy efficiency offers.¹⁷⁹ We were pleased to note that DECC opened the scheme for a new round of applications.¹⁸⁰

93. In addition to a national communications campaign, the involvement of local authorities and associations is pivotal to the successful implementation of the Green Deal. Local sources of information that communities are used to turning to and trust will play a vital role in encouraging energy-efficiency installations. Area-based approaches such as those encouraged by the Green Deal Communities fund are likely to further boost demand. Schemes such as the Big Energy Saving Network are also instrumental in delivering such plans.

174 Local Government Association ([GRE 013](#)) para 6

175 Department of Energy and Climate Change, [Green Deal Communities – Local Authority Fund](#) (July 2013), p4

176 Department of Energy and Climate Change ([GRE 052](#)), Department of Energy and Climate Change, '[Government action to help hardworking people with energy bills](#),' accessed 27 August 2014

177 Department of Energy and Climate Change, '[Local Authorities get £88 million to deliver Green Deal Communities](#),' accessed 02 September 2014

178 Q20 [Jenny Saunders], Q143 [Nick Chase]

179 Department of Energy and Climate Change, '[Big Energy Saving Network – Grant Offer Fund](#),' accessed 29 July 2014

180 Department of Energy and Climate Change, [Big Energy Saving Network – 2014/2015 Grant Offer Fund](#) (July 2014), p4

5 Conclusions

94. **The Green Deal has failed to live up to expectations: its planning was flawed, its funding inefficiently delivered, and its implementation has been poor. These problems have all been aggravated by poor communication. Rather than facilitating access to energy efficiency measures and creating momentum in the market, the Green Deal has caused frustration and confusion for both consumers and the supply chain. The first eighteen months of the Green Deal have been largely wasted.**

95. **The Green Deal could play a crucial role in meeting the UK's emission reduction targets, but a combination of financial, communication and behavioural barriers has meant that many potential customers and partners have been disillusioned and alienated. It is imperative that these barriers are understood and addressed if the scheme is to move forward.**

96. **Retrofitting the UK's existing housing stock is an ambitious and worthwhile aim. It cannot be met without substantial efforts to promote energy efficiency across all regions and consumer types. DECC has so far failed to make a sufficiently convincing case for energy efficiency in principle, particularly at a household level.**

Conclusions and recommendations

Initial Assessment of the Green Deal and ECO

1. With such extremely low levels of take-up eighteen months into the life of the policy, the Green Deal has so far been a failure. It is very disappointing that the Government's flagship energy efficiency policy has been so slow to attract customers. We have been and will continue to be supportive of the principle of the Green Deal but the Government needs to set out a clear strategy to revive the failing scheme. The Government must urgently address the barriers which currently prevent wider and faster take-up of the Green Deal. (Paragraph 20)
2. The Green Deal process is too complicated and has led to confusion and mistrust. The Green Deal Oversight and Registration Body plays an important role in regulating activities but better communication across the Green Deal stakeholder chain is necessary. Publication of misleading information by GDFC and DECC further undermines a programme that already suffers from poor public understanding and interest. Until consumer trust and understanding are improved, the Green Deal is unlikely to see any substantial increase in take-up. We address this further in Chapter 4. (Paragraph 31)
3. The Government needs to deal with the criticisms surrounding the poor take-up of the Green Deal. A lack of public commitment towards selling Green Deal plans is contributing to the increasing uncertainty surrounding the future of the Green Deal. (Paragraph 41)
4. We recommend that DECC set out a robust framework through which the Green Deal can be assessed. In particular, DECC should be clearer about its ambition for the number of plans sold and CO₂ saved through measures installed under Green Deal. The Government should also clarify its expectations of CO₂ saved through other energy efficiency programmes. The Department and The Green Deal Finance Company should communicate a consistent message on what success will look like. (Paragraph 42)
5. The Green Deal and ECO have similar goals but are different programmes operating in distinct ways. They should be complimentary rather than competitive. Allowing loft and cavity wall insulation under CERO raises the question of what the Green Deal will now be used for. It is not clear what impact the recent changes to ECO will have on the take-up of the Green Deal. (Paragraph 47)
6. We recommend that DECC clarifies what it expects the Green Deal to be used for during the lifetime of ECO and produces clear consumer guidance as to the different ways in which Green Deal finance can be used (for example in isolation or in combination with other schemes and incentives). A one-stop place for consumers to determine their options would greatly simplify the customer journey and encourage take-up where households may not be aware of the combination of options available to them. (Paragraph 48)

Providing a more attractive proposition

7. We welcome the Government's commitment to introduce a financing mechanism available to those who would not otherwise be eligible for a loan, but DECC's current offer is burdensome and limiting. Unless the package is made more attractive to a wider group of consumers, Green Deal finance is likely to remain unappealing to many. We understand that DECC may be unwilling to subsidise the loans in order to lower the interest rates on Green Deal finance, but there may be other financial opportunities available, which could prove more attractive to customers. (Paragraph 58)
8. We recognise the need for consumer protection in calculating the Golden rule, but DECC should be able to offer a better deal for consumers. We recommend that DECC review whether it is being too cautious in calculating projected energy savings and in-use factors, so that the Golden Rule may become more ambitious. Other financial incentives, such as stamp duty discounts and variable council tax rates for more energy-efficient households, as well as other measures and regulations, should also be experimented with. (Paragraph 59)
9. The Government should set out in its response the extent to which (a) improvements in consumer advice and (b) the offer to take businesses from quote to plan in a day have increased the uptake of the Green Deal. DECC should bring together the organisations working across the different stages of the Green Deal process to develop a shorter, more streamlined process across all parts of the Green Deal supply chain. We recommend that DECC sets out a strategy to monitor the impact of the different changes. The Green Deal Finance Company should develop the "Green Deal in a Day" so that it can be offered by all providers, while still ensuring that the process remains robust when moving from an assessment to a plan in a shorter period of time. (Paragraph 64)
10. It is disappointing that customers wishing to take out a Green Deal plan are either not able to find a provider, or refused services by a provider on the grounds of distance. Even more worrying is the lack of access to the Energy Company Obligation for rural customers, who participate in paying for the scheme but often fail to benefit from it. (Paragraph 71)
11. We recommend that the Government should be more proactive in identifying the households most in need and ensuring that they are targeted by energy companies for the delivery of energy efficiency measures under ECO. We also recommend that the CSCO rural sub-obligation should ensure that isolated off gas-grid consumers are not bypassed by energy companies delivering their obligation. (Paragraph 72)
12. We welcome DECC's initiatives to encourage energy efficiency in the domestic private rental sector. DECC must ensure that the widest range of options is available to landlords and tenants to carry out the installation of measures. (Paragraph 74)

Prioritising Communication

13. The Green Deal is suffering from a lack of engagement between consumers and the market. Renewed efforts to promote the Green Deal and energy efficiency must now be a major priority for the Government. The Government's initial promotional campaign came too early, before the Green Deal Finance Company and the supply chain were in a position to provide plans. The Pay-as-you-save model and the attachment of the loan to a property rather than the individual taking-up the loan remains a relatively novel concept and the Government has failed to make the case for the benefits of energy efficiency improvements. The recent Green Deal Home Improvement Fund campaign failed to address the underlying drivers of energy efficiency installations. By offering "free" incentives, which it then found itself unable to deliver, the Department is likely to have caused more confusion and mistrust without addressing the root of the problem: explaining the personal and societal advantages of retrofitting the UK's housing stock. (Paragraph 83)
14. A new communication strategy is needed, which promotes energy efficiency for (a) individuals; (b) communities; and (c) the country's long-term goals. In relying on providers to carry out the Green Deal marketing, the Government has failed to communicate the wider benefits of energy efficiency. DECC should acknowledge its responsibility for doing this. The Department should draw on external marketing experts as necessary and collaborate closely with all players in the market. Clear and consistent messages must be communicated by all of those involved in Green Deal and ECO. (Paragraph 84)
15. As part of DECC's new approach to communication, it should determine the best strategies to promote energy efficiency measures in different areas and to different types of consumers. The Green Deal website should provide a straightforward customer journey and outline the costs incurred at each stage, as well as what incentives and options are available. (Paragraph 88)
16. In addition to a national communications campaign, the involvement of local authorities and associations is pivotal to the successful implementation of the Green Deal. Local sources of information that communities are used to turning to and trust will play a vital role in encouraging energy-efficiency installations. Area-based approaches such as those encouraged by the Green Deal Communities fund are likely to further boost demand. Schemes such as the Big Energy Saving Network are also instrumental in delivering such plans. (Paragraph 93)

Conclusions

17. The Green Deal has failed to live up to expectations: its planning was flawed, its funding inefficiently delivered, and its implementation has been poor. These problems have all been aggravated by poor communication. Rather than facilitating access to energy efficiency measures and creating momentum in the market, the Green Deal has caused frustration and confusion for both consumers and the supply chain. The first eighteen months of the Green Deal have been largely wasted. (Paragraph 94)

18. The Green Deal could play a crucial role in meeting the UK's emission reduction targets, but a combination of financial, communication and behavioural barriers has meant that many potential customers and partners have been disillusioned and alienated. It is imperative that these barriers are understood and addressed if the scheme is to move forward. (Paragraph 95)
19. Retrofitting the UK's existing housing stock is an ambitious and worthwhile aim. It cannot be met without substantial efforts to promote energy efficiency across all regions and consumer types. DECC has so far failed to make a sufficiently convincing case for energy efficiency in principle, particularly at a household level. (Paragraph 96)

Formal Minutes

Tuesday 9 September 2014

Members present:

Mr Tim Yeo, in the Chair

Dan Byles
Dr Phillip Lee
Mr Peter Lilley
Albert Owen

Sir Robert Smith
Graham Stringer
Dr Alan Whitehead

The following declarations of interest relating to the inquiry were made:

1 April 2014 and 29 April 2014

Sir Robert Smith declared interests, as listed in the Register of Members' Interests, relating to rental property income, and non-financial interests as honorary vice-president of Energy Action Scotland

Draft Report (*The Green Deal: watching brief (part 2)*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 96 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Third 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, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 10 September at 8.55 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's [inquiry webpage](#).

Tuesday 1 April 2014

Question number

Peter Broad, Policy Manager, Citizens Advice, **Jenny Holland**, Head of Parliamentary Team, Association for the Conservation of Energy, and **Jenny Saunders**, Chief Executive, National Energy Action

[Q1-33](#)

Richard Lambert, Chief Executive, National Landlords Association, **Matthew O'Connell**, Policy Officer, British Property Foundation, **Cllr Tim Moore**, LGA Environment and Housing Board, Local Government Association, and **John Alker**, Director of Policy and Communications, UK Green Building Council

[Q34-61](#)

Tuesday 29 April 2014

Claire Williams, Managing Director, British Gas New Energy, **Gillian Noble**, Head of UK Government Obligations, ScottishPower, and **Simon Stacey**, Managing Director of Energy Services, RWE npower

[Q62-130](#)

Wednesday 7 May 2014

Holly Sims, Corporate Affairs Manager, Calor Gas Ltd, **Nick Chase**, Director, Policy and Research, Action with Communities in Rural England

[Q131-164](#)

Dr David Kennedy, Chief Executive, Committee on Climate Change, **Dr Dorte Rich Jorgensen**, on behalf of Edge, **Dr Nick Eyre**, Environmental Change Institute, University of Oxford

[Q165-211](#)

Tuesday 17 June 2014

Jonathan Harley, Head of Operations, Green Deal Oversight and Registration Body, **Robert Hull**, Managing Director of E-Serve, Ofgem, and **Mark Bayley**, Chief Executive, The Green Deal Finance Company

[Q212-304](#)

Rt Hon Gregory Barker, Minister of State for Energy and Climate Change, **Richard Mellish**, Deputy Director, Supply Chain, **Chris Nicholls**, Head of the Green Deal and ECO analysts and economists, and **David Thomas**, Deputy Director, Green Deal and Household Energy Efficiency Demand, Department of Energy and Climate Change

[Q304-389](#)

Published written evidence

The following written evidence was received and can be viewed on the Committee's [inquiry webpage](#). INQ numbers are generated by the evidence processing system and so may not be complete.

- 1 Action With Communities In Rural England ([GRE0051](#))
- 2 Anglian Home Improvements ([GRE0004](#))
- 3 Association For The Conservation Of Energy ([GRE0014](#))
- 4 Association Of Residential Letting Agents (ARLA) ([GRE0011](#))
- 5 BCSC ([GRE0059](#))
- 6 British Gas ([GRE0030](#))
- 7 British Property Federation ([GRE0015](#))
- 8 Calor Gas Ltd ([GRE0001](#))
- 9 Carillion ([GRE0028](#))
- 10 Charlotte McCleod ([GRE0044](#))
- 11 Citizens Advice ([GRE0018](#))
- 12 Consumer Futures ([GRE0026](#))
- 13 Crystal Windows And Doors Ltd ([GRE0043](#))
- 14 David Lyn Bowen ([GRE0002](#))
- 15 David Wilkinson ([GRE0041](#))
- 16 DECC ([GRE0052](#))
- 17 DECC ([GRE0055](#))
- 18 DECC ([GRE0056](#))
- 19 Department Of Energy And Climate Change ([GRE0065](#))
- 20 Eastleigh Borough Council ([GRE0021](#))
- 21 EDFEnergy ([GRE0053](#))
- 22 Edge ([GRE0045](#))
- 23 Electrical Contractors' Association ([GRE0020](#))
- 24 Frances Taylor ([GRE0034](#))
- 25 Gemserv Limited ([GRE0060](#))
- 26 George Eckton ([GRE0037](#))
- 27 Glass And Glazing Federation ([GRE0023](#))
- 28 Green Deal Finance Company ([GRE0010](#))
- 29 HHIC ([GRE0007](#))
- 30 Insulated Render And Cladding Association ([GRE0027](#))
- 31 James Delaney ([GRE0033](#))
- 32 Jeff Ward ([GRE0038](#))
- 33 Local Government Association ([GRE0013](#))
- 34 Lynn Tait ([GRE0035](#))
- 35 Mark Group ([GRE0017](#))
- 36 Mrs Yvonne Betts ([GRE0046](#))
- 37 National Energy Action (NEA) ([GRE0009](#))
- 38 National Federation Of Roofing Contractors ([GRE0025](#))
- 39 National Housing Federation ([GRE0029](#))

- 40 National Landlords Association ([GRE0031](#))
- 41 Ofgem ([GRE0058](#))
- 42 Ofgem ([GRE0062](#))
- 43 Paul ([GRE0042](#))
- 44 Residential Landlords Association ([GRE0012](#))
- 45 RWE npower ([GRE0024](#))
- 46 Sam Maddrell ([GRE0036](#))
- 47 ScottishPower ([GRE0054](#))
- 48 Sheffield LATAG ([GRE0057](#))
- 49 Stephen Twell ([GRE0032](#))
- 50 The Chartered Institute Of Building ([GRE0016](#))
- 51 The Green Deal Finance Company ([GRE0063](#))
- 52 The Green Deal Finance Company ([GRE0064](#))
- 53 The National Landlords Association ([GRE0061](#))
- 54 UK Green Building Council ([GRE0003](#))
- 55 Which? ([GRE0019](#))
- 56 Wirral Green Deal Advisors Limited ([GRE0022](#))

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 2010–12

First Report	Emissions Performance Standards	HC 523 (807)
Second Report	UK Deepwater Drilling—Implications of the Gulf of Mexico Oil Spill	HC 450 (882)
Third Report	The revised draft National Policy Statements on energy	HC 648
Fourth Report	Electricity Market Reform	HC 742 (HC 1448)
Fifth Report	Shale Gas	HC 795 (HC 1449)
Sixth Report	Ofgem's Retail Market Review	HC 1046 (HC 1544)
Seventh Report	A European Supergrid	HC 1040 (HC 1684)
Eighth Report	The UK's Energy Supply: Security or Independence?	HC 1065 (HC 1813)
Ninth Report	Solar Power Feed-In Tariffs	HC 1605 (HC 1815)
Tenth Report	The EU Emissions Trading System	HC 1476
Eleventh Report	The Future of Marine Renewables in the UK	HC 1624
Twelfth Report	Consumption-Based Emissions Reporting	HC 1646
First Special Report	Low carbon technologies in a green economy: Government Response to the Committee's Fourth Report of Session 2009–10	HC 455
Second Special Report	Fuel Poverty: Government Response to the Committee's Fifth Report of Session 2009–10	HC 541
Third Special Report	The future of Britain's electricity networks: Government Response to the Committee's Second Report of Session 2009–10	HC 629

Session 2012–13

First Special Report	The Future of Marine Renewables in the UK: Government Response to the Committee's Eleventh Report of Session 2010–12	HC 93
First Report	Draft Energy Bill: Pre-legislative Scrutiny	HC 275
Second Report	The road to UNFCCC COP 18 and beyond	HC 88
Second Special Report	Consumption-Based Emissions Reporting: Government Response to the Committee's Twelfth Report of Session 2010–12	HC 488
Third Report	Low-Carbon Growth Links with China	HC 529
Fourth Report	Pre-appointment hearing with the Government's preferred candidate for Chair of the Committee on Climate Change	HC 555
Third Special Report	The road to UNFCCC COP 18 and beyond: Government Response to the Committee's Second Report of Session 2012–13	HC 633
Fourth Special Report	Low-Carbon Growth Links with China: Government Response to the Committee's Third Report of Session 2012–13	HC 748
Fifth Report	Consumer Engagement with Energy Markets	HC 554
Sixth Report	Building New Nuclear: the challenges ahead	HC 117
Seventh Report	The Impact of Shale Gas on Energy Markets	HC 785

Session 2013–14

First Report	The Green Deal: watching brief	HC 142 (HC 607)
First Special Report	Building New Nuclear—the challenges ahead: Government Response to the Committee's Sixth Report of Session 2012–13	HC 106
Second Report	A Severn Barrage?	HC 194 (HC 622)
Second Special Report	The Green Deal: watching brief: Government Response to the Committee's First Report of Session 2013–14	HC 607
Third Special Report	The Impact of Shale Gas on Energy Markets: Government Response to the Committee's Seventh Report of Session 2012–13	HC 609
Third Report	UK oil refining	HC 340 (HC 718)
Fourth Report	Smart meter roll-out	HC 161 (HC 719)
Fifth Report	Energy Prices, Profits and Poverty	HC 108 (HC 717)
Sixth Report	Local Energy	HC 180 (HC 749)
Seventh Report	Pre-appointment hearing with the Government's preferred candidate for Chair of Ofgem	HC 645
Eighth Report	Levy Control Framework	HC 872
Ninth Report	Carbon capture and storage	HC 742

Session 2014–15

First Special Report	Levy Control Framework: Parliamentary oversight of Government levies on energy bills: Government Response to the Committee's Eighth Report of Session 2013–14	HC 590
First Report	Intergovernmental Panel on Climate Change Fifth Assessment Report Review of Working Group I contribution	HC 587
Second Report	Innovate to accumulate: the Government's approach to low carbon innovation	HC 747
Second Special Report	Carbon capture and storage: Government Response to the Committee's Ninth Report of Session 2013–14	HC 638