# CE&EE Subgroup - Energy Efficiency support mechanisms across the UK

The following section provides a brief description of the energy efficiency schemes that are in operation within Great Britain[[1]](#footnote-1) and across England, Scotland and Wales (the geographical limit of WG6’s activity). Whilst the purpose of this section is not to make recommendations on how these schemes can be improved explicitly, it provides necessary context on how these schemes are operating in order to identify the potential for a range of parties to work more closely together.

**The Energy Company Obligation (ECO)**

The ECO is funded through a consumer levy and is delivered across Great Britain by obligated energy suppliers. ECO includes a Carbon Saving Obligation focused on carbon abatement alone; plus a Carbon Saving Communities Obligation and Heat Cost Reduction Obligation targeted at low income and vulnerable households. The CSCO also includes a sub-objective aimed at rural communities.

In 2014, the UK Government proposed notable changes to the ECO which has impacted on the delivery of energy efficiency in Great Britain. The main change was to reduce the 2015 Carbon Emission Reduction Obligation (CERO) target by 33 per cent. This inevitably led to a reduction in ECO delivery, and in turn energy efficiency measures, for the remaining obligation period. However, the Government believed it was right that the impact of environmental programmes on consumer energy bills should be reduced. DECC also confirmed that all forms of cavity wall insulation and ‘easy to treat’ cavities and loft insulation will be primary measures for CERO and count towards the target. This promoted calls for the UK Government to jointly assess the impact this change would have on the key role ECO was providing in supporting domestic energy efficiency schemes in Wales and Scotland especially given the propensity of solid wall and hard to treat properties.

These reforms also prompted a range of organisation to highlight the need to appropriately resource energy efficiency programmes. In particular, the multiple benefits of ending fuel poverty through energy efficiency were recognised by the Committee on Climate Change (CCC)[[2]](#footnote-2). In early 2014, the CCC commissioned the Centre for Sustainable Energy (CSE) to explore the implications for fuel poverty of meeting the fourth carbon budget[[3]](#footnote-3). The modelling used DECC’s National Household Model (NHM) to investigate the deployment of energy efficiency and low-carbon heating measures across the residential sector to 2030 to see if it was possible to tackle fuel poverty and carbon emissions at the same time. The report, submitted as the CCC’s response to DECC’s consultation on the Fuel Poverty Strategy , noted that there was a greater potential for national policies to meet the fourth carbon budget as well as achieving the new fuel poverty targets in England and the other UK nations. However, the report also noted that whilst realigning existing national policies to explicitly target the fuel poor could help improve synergy between decarbonisation policy and social justice, new funding sources would be needed[[4]](#footnote-4).

One other modification of note was to change the rural sub-obligation of the Carbon Saving Communities element of ECO, worth an estimated £25m pa. Suppliers can now meet the sub-target by installing measures in any domestic property located in (or in the adjoining areas to) deprived rural areas. Previously, measures could only be delivered to households meeting the Affordable Warmth eligibility criteria. It is envisaged that the number of eligible households will increase from around 600,000 to around 1.3 million. However, while the reform will help increase take-up, it is likely to divert help away from isolated dwellings or homes in smaller remote rural areas towards the easier to reach clustered dwellings in semi-rural areas or market towns.

**Overview of programmes in England:**

Following the loss in 2013 of the publically funded energy efficiency scheme Warm Front, which supported fuel poor households explicitly, the ECO continues to be the main energy efficiency programme for low income households and communities. The UK Government has announced that the scheme will be extended to March 2017 however the overall impact on fuel poverty alleviation is largely unchanged[[5]](#footnote-5). The UK Government has also announced a new £25m fund within the 2014 Autumn Statement to support English off-grid households. The fund will support the installation of first time central heating measures. These households often face the highest costs of keeping warm and are more likely to be in fuel poverty. The fund will be allocated through a local authority competition over 2015/16.

**Overview of programmes in Scotland:**

The Scottish Government’s latest initiatives to tackle fuel poverty and increase energy efficiency in homes have, since April 2013, come under the umbrella heading of Home Energy Efficiency Programmes for Scotland (HEEPS). In the period of this report ie 2014-2015, HEEPS consisted of an area-based scheme (HEEPS: ABS), an Affordable Warmth Scheme (HEEPS: AWS) and the Energy Assistance Scheme. However, both the Affordable Warmth Scheme and the Energy Assistance Scheme closed at the end of March 2015 and a replacement for the Energy Assistance Scheme is due to open in September 2015.

HEEPS: ABS follows an area-based approach with initial focus on the most deprived areas. Schemes draw on a range of data including indices of multiple deprivation, child poverty statistics, the Scottish House Condition Survey and heat mapping. It is intended to cover all homes in Scotland in 10 years from 2013. Responsibility for programme delivery for HEEPS: ABS falls to local authorities, who the Scottish Government considered best placed through their Local Housing Strategies to understand the nature of housing provision and to co-ordinate a local supply-chain. Measures available are dependent on the schemes developed by each local authority and are free to the householder and open to all tenures.

HEEPS: AWS was a referral mechanism, via Home Energy Scotland, to the Home Heating Cost Reduction Obligation (HHCRO) of the GB-wide ECO. A sub-set of measures, ie boiler replacement, loft insulation and cavity wall insulation, was offered to households who were vulnerable to fuel poverty as defined by the UK Government’s affordable warmth group. As a result, they had to be the homeowner or else the tenant of a private sector landlord and had to be in receipt of qualifying benefits.

The Energy Assistance Scheme was a reactive scheme and was available to households who were most vulnerable to fuel poverty but was not eligible for Affordable Warmth and did not live in a current HEEPS: ABS area. Grants of up to £4,000 (sometimes £6,500) were available to eligible home owners and tenants of private sector landlords for insulation and heating measures. Householders had to be aged 60 or over and have no central heating or live in an energy inefficient home and be in receipt of a qualifying benefit.

In addition to the suite of HEEPS schemes, the Warm Homes Fund was a Scottish Government initiative, managed by the Energy Saving Trust.

Although it closed at the end of March 2015, the Warm Homes Fund aimed to assist communities affected by fuel poverty by providing grants and loans to support renewable energy schemes. It was launched in November 2012 with an overall budget of £50 million. It was open to Registered Social Landlords (RSLs), local authorities and energy services companies formed by RSLs or local authorities, but not to individual homeowners.

**Overview of programmes in Wales:**

Welsh Government Warm Homes that includes that includes the Nest and Arbed programmes targeted at increasing energy efficiency and tackling fuel poverty. Nest is a demand-led scheme for individual owner-occupiers and private rental tenants, while Arbed is an area based scheme available to all tenures within a project area targeted at deprived communities in Wales Additional funding of £70m has been allocated to Welsh Government Warm Homes from 2014-2016 to lever additional investment from the energy company obligation ECO.

Under the Nest programme properties have to have an F or G SAP rating to qualify for an energy improvement package and households have to be on a set of eligible benefits however social housing is excluded from the scheme. The programme then aims to raise those properties to a C rating, where it is practical and cost effective to do so. The Nest scheme has been funded to a value of approximately £58m between April 2011 and September 2014 and has provided over 15,000 households with a package of home energy improvement measures, increasing the SAP rating of 94% of properties to a rating of E or above from F/G. As highlighted in the recent evaluation of the Nest scheme, However, although Nest offers a whole house approach, using whatever technologies are necessary to achieve a target SAP rating of C where practical and cost effective to do so, many households with solid walls could have not be insulated as the measures were deemed by the contractor and scheme administrator as not cost effective or could not be delivered within the scheme thresholds. It should be noted that these thresholds are higher than most other demand led schemes. This issue was recently highlighted in an evaluation of the Nest energy efficiency scheme which suggested Nest is not delivering whole house measures as much as intended and a greater proportion of applicants report being in fuel poverty than those who receive or are eligible measures

The Welsh Government established Resource Efficient Wales in October 2014, a service providing advice and support on energy efficiency and generation, water and materials efficiency and waste minimisation. The service provides support to all sectors, and provides a signposting service to existing provision at the UK, national and local level.

The Ynni’r Fro programme has supported community scale energy projects for the last five years, combining support from dedicated Technical Development Officers with grants for preparatory work, and capital grants or loans for construction. Over 50 projects are in construction or development. The programme closed at the end of June, and the Welsh Government is continuing to provide support to community energy whilst we co-design a future renewable energy support programme.

1. There continues to be no UK wide energy efficiency initiatives. [↑](#footnote-ref-1)
2. For more information about the CCC, please visit: <http://www.theccc.org.uk/> [↑](#footnote-ref-2)
3. Meeting the proposed fuel poverty targets - Modelling the implications of the proposed fuel poverty targets using the National Household Model - Report for the Committee on Climate Change, Centre for Sustainable Energy (CS”, November 2014. [↑](#footnote-ref-3)
4. Fuel Poverty Strategy Consultation response, the Committee on Climate Change (CCC), October 2014, p 3. The report particularly highlights the need to expand energy efficiency programmes in England, citing the additional, non-levy funded programmes that operate in Wales and Scotland. They also noted low-carbon heat policies in England rely on the upfront capital costs being met by the householder. This is clearly problematic for fuel poor households. [↑](#footnote-ref-4)
5. The Government has only modelled the impact of the proposed changes to the ECO on fuel poverty levels in England. By the end of 2016 (the original date for the eradication fuel poverty the policy is expected to remove an additional 32,000 from fuel poverty and reduce the ‘aggregated fuel poverty gap’ by £18m and reduce the individual fuel poverty gap by only £1. [↑](#footnote-ref-5)