

“green  
alliance...”

# Getting a good deal from the Green Deal

views from local communities

The Green Deal and Energy Company Obligation (ECO) are the government's flagship carbon reduction policies, aimed at reducing carbon emissions from homes and small businesses. They are both scheduled to be launched in autumn 2012.

As our contribution to the government's consultation<sup>1</sup> and wider political discourse on the subject, this Green Alliance *policy insight* presents the conclusions from three workshops in late 2011 with coalition MPs and local stakeholders. These workshops, held under our Climate Leadership Programme, discussed opportunities for the Green Deal and ECO to enhance local energy saving, views on the existing policy design and how the schemes could be improved.

We have pulled together the main findings from all three workshops, including opportunities for practical action in each location and recommendations for improving the policy design nationally.

The five strong messages for government that have emerged, highlighting the necessary requirements for success are: help to encourage take-up; give more support to the fuel poor; make sure local economies benefit; spread the message; and help to drive real energy demand reduction. Here, we set out detailed recommendations to support each of these requirements.

Green Alliance and the MPs involved will be promoting these ideas at meetings with relevant ministers in early 2012.

# How the Green Deal will work

“The Green Deal has the potential to substantially improve the UK’s housing stock.”

## The scheme

- Green Deal providers including private companies and local authorities, will offer home energy efficiency improvements to potential customers at no upfront cost. The provider is responsible for providing the finance and arranging the installation of measures.
- An independent assessor will visit the property to make recommendations for the appropriate measures to be taken.
- The provider will give the customer a quote for the cost of the finance and what measures could be installed, which will be put together in a Green Deal plan. The customer can then choose to take up the whole plan or a part of it.
- Once the measures have been installed, the customer will start to make repayments through a charge on their energy bill. The repayments could last up to 25 years and, if the property is sold during this period, the new owner or tenant becomes responsible for the payments, with landlords obliged to cover any interim payments.

## The potential

The Green Deal will focus exclusively on energy efficiency measures which meet the ‘golden rule’, that is, for each measure the expected financial savings must be greater than the costs attached to the energy bill. Where this is not the case, such as older properties which are hard to treat, and low income households who may be under-heating their homes and, therefore, have little margin on their bills to save, a new Energy Company Obligation (ECO) will support household energy efficiency. It is proposed that the ECO will provide around £1.3 billion per year of extra help, with approximately 75 per cent going to carbon saving, for hard to treat homes, predominantly for solid wall insulation, and 25 per cent to affordable warmth, supporting low income and vulnerable households, but not those in social housing. In the draft proposals social housing is only eligible for money through the carbon saving element of the ECO if properties have solid walls, although this has already been highlighted as one detail that might change.<sup>2</sup>

Green Deal customers could receive up to £150 cash back as an incentive for signing up, but this would be repaid with the loan repayments. The government has also announced a £200 million pot which will be available to kick-start the scheme; but how this money will be spent has not yet been decided, options include cash back offers, discounts on council tax, cuts to stamp duty when a home is sold, or a type of scrappage scheme.

The Green Deal has the potential to substantially improve the UK’s housing stock. The government initially predicted that it would help insulate 14 million homes by 2020.<sup>3</sup> However, this number was substantially revised in the recently published impact assessment, which predicts that just 3.6 million homes will be upgraded by 2022 for ECO and the Green Deal combined, with only 1.5 million homes predicted to be upgraded through the privately-delivered Green Deal.<sup>4</sup> If these figures are a more accurate picture of the scheme’s reach, it is clear that other policy measures will also be necessary to significantly reduce the carbon emissions coming from our homes and businesses.

# The workshops

In November and December 2011 Green Alliance held three constituency-based workshops on the Green Deal. These events were an opportunity for local stakeholders to find out more about the scheme and to discuss with their MP and Green Alliance experts how it could work and improve energy saving in the local area.

The workshops:

- Hexham, with Guy Opperman MP
- Bristol North West, with Charlotte Leslie MP
- Redcar, with Ian Swales MP

These three constituencies were selected as they differ in character and the issues they face, detailed below. All three MPs have been involved in Green Alliance's Climate Leadership Programme over the past 18 months.<sup>5</sup> Each workshop was attended by 20-30 local people from businesses, community groups, local government and housing associations. They started with an introductory presentation on the Green Deal, followed by a discussion on local activity, issues and opportunities and drew conclusions which provide some concrete policy recommendations for government.

## Hexham with Guy Opperman MP

Hexham, in Northumberland, is amongst the most northerly and sparsely populated constituencies in England. The area includes many of Newcastle's commuting middle class, and the percentages of educated professionals, retired people and average commuting distance are all above the national average. Meanwhile, percentages of unemployed, full time students and migrants are lower than average.

Hexham has a higher percentage of detached houses than the national average, with many spacious and multi-bedroomed properties. The older age profile of constituents is reflected in a slightly greater than average percentage of owner-occupied properties, with typical property values higher than in Newcastle but lower than the national average.

The north east has the second highest regional level of fuel poverty in England, at 21 per cent,<sup>6</sup> and in some areas of the Hexham constituency it is as high as 24 per cent. The large constituency size means that it is not just heating fuel that is an issue, but transport fuel as well, with many people travelling long distances to work.

### Local activity

There are a number of very active environmentally-focused community groups. These include: Transition Tynedale, focusing on reducing energy demand by educating and encouraging people to use less; Community Action Northumberland, working with National Energy Action to establish community rural energy champions; and Green Ovingham, who support and encourage sustainable lifestyles in the Ovingham area. Churches Together has a local environment adviser who works with local parishes on fuel poverty.

Parts of the Hexham constituency also fall within the boundaries of the Northumberland National Park, and the Park Authority is very active on these issues, supporting projects which offer grants to residents for insulation. Northumberland Warm Zones has also been running similar trials.

There are a number of local housing associations, including Isos Housing, which has been carrying out simple energy efficiency measures on its properties, but is now meeting the dual challenge of getting sufficient finance and incentivising tenants to agree to the measures. Northumberland County Council is also doing work on energy efficiency, and is exploring the best way to be involved in the Green Deal, but budget cuts will restrict its ability to engage.

“Attendees felt that the current plans didn’t recognise the diversity of housing situations around the UK.”

Guy Opperman MP runs a local ‘It’s time to end fuel poverty’ campaign.<sup>7</sup> He has set up Grassroots North East, a Conservative social action project, which promotes, conserves and enhances local green spaces, and has championed the Green Deal as the Energy Bill has progressed through Parliament.

### Hexham’s issues and opportunities

- There was enthusiasm for developing the Green Deal in an ultra-local way, such as using local branding and locally sourced materials, eg sheep’s wool for insulation.
- There was support for a proposal from Guy Opperman to set up a local Green Deal pilot project. This could show how homes could be upgraded in different areas, such as working with a social housing provider, retrofitting an owner-occupied street, and upgrading an off-grid house.
- Community groups said they could see themselves promoting the Green Deal, but wouldn’t want to tie themselves to a particular provider. Transition Tynedale put itself forward as a possible ‘one-stop shop’ for advice on different energy efficiency schemes.
- Participants were concerned that Hexham’s predominantly rural constituency, with many off-grid properties, might not be seen as an attractive market if Green Deal companies didn’t feel they could get the economies of scale that they might be able to in more densely populated areas.
- There was also concern that measures to support the fuel poor aren’t yet sufficient. Social housing providers and the Citizen’s Advice Bureau said they were likely to recommend that tenants who struggle to pay heating and transport bills don’t take on the extra debt in the form of the Green Deal.
- Past initiatives to sell products similar to the Green Deal have had limited success, with trust seen as one of the main issues restricting take-up. The National Park Authority, which has offered those living within the park grants for insulation, was concerned that it would be even harder to encourage the take-up of loans.

Overall, there was enthusiasm for the Green Deal in Hexham, and there was a feeling that a location like this, with a healthy civil society working on environmental issues, should be an ideal location for bottom-up Green Deal developments. However, attendees felt that the current plans didn’t recognise the diversity of housing situations around the UK and, as yet, there are few systematic ways for active community groups to get involved and encourage more local solutions in their areas.

### Bristol North West with Charlotte Leslie MP

The constituency of Bristol North West covers the northern and north-western parts of the city of Bristol. The sixth most populous city in England, Bristol is a centre for culture, employment and education, and is one of the top five most sustainable cities in the UK according to Forum for the Future’s sustainable cities index.<sup>8</sup>

Bristol North West is a diverse constituency, with some more affluent areas balanced out by council estates and heavy industry and manufacturing at Avonmouth Docks. Levels of unemployment are below the national average while numbers of students and migrants are above it. There are more semi-detached properties and flats in this area than the national average and more owner-occupied properties too.

### Local activity

There are several community groups and local enterprises focused on energy and the environment, including: Bristol Green Doors, which promotes retrofitting; Bristol Energy

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Co-operative which, through its work with communities is looking to set up a body that can get finance for solar PV; and ‘make your home eco’, which runs courses and workshops on energy saving in the home.

The local council is striving to make Bristol a ‘Green Capital’. The West of England Partnership, of which the council is part, has recently won a regional growth fund bid and is considering options for how this will be spent. The council is also considering becoming a Green Deal provider, and plans to run local pilots in preparation for this.

Housing associations like Knightstone Housing have installed simple energy efficiency measures in their properties, but are restricted by grant funding. The council, as a housing provider, has carried out simple measures on its properties too.

Low Carbon South West, a trade association and sector partnership between businesses, academia, investors, local authorities, regional and national agencies, is promoting the growth of the environmental technologies and services sector in the south west, and is looking at the potential of the Green Deal as a stimulator for services. The National Association for Professional Inspectors and Testers (NAPIT) has recently opened an installer training centre in Avonmouth to offer a range of renewable technology courses, as well as publicly displaying working installations of the latest technologies.<sup>9</sup>

Charlotte Leslie MP opened the NAPIT training centre, and has also been involved in local campaigns, including expressing concerns about a new biofuels plant and links to subsidies from Renewables Obligation Certificates. She also signed the Early Day Motion calling for minimum energy efficiency standards for private rented homes.<sup>10</sup>

### Bristol North West’s issues and opportunities

- It was suggested that partnerships could be established, for example between Carillion Energy Services and local authorities or community groups, to make improvements to whole areas. With the local authority planning to become a registered Green Deal provider, there are real opportunities for this. Community groups could also work with Green Deal providers to act as local leaders. However, participants flagged up that community activity takes time and money, and it isn’t clear how they will be supported or how they can be systematically involved.
- Potential benefits for the local economy include jobs for local tradesmen, training programmes in colleges, working with local suppliers, and trialling new products and technologies in local pilots. However, attendees felt that barriers such as the time and money needed for accreditation could prevent these plans taking shape. One solution suggested was to use the Regional Growth Fund to support local tradesmen achieving accreditation. Bristol Green Doors offered to approach providers with the offer of securing a certain number of houses, some of which could be used as exemplar homes. In return, they would ask for certain conditions, such as employment of local people.
- Local social landlords have found it hard to give measures away for free, and are concerned that it would be even more difficult with loans.
- Attendees highlighted differences within the constituency. Owner-occupiers with available funds are more likely to be interested in the Green Deal, but social housing tenants, with limited funds and little trust in energy companies, are less likely to be interested. There are also many listed buildings and conservation areas which would need the support of the planning authority to upgrade. In poorer areas there is a strong sense of community that could be used for a community venture, possibly involving neighbourhood partnerships and community groups, as long as funding would be available to support this.

Enthusiasm for the Green Deal was strong and, given that the constituency sits within the city of Bristol, with a council ambitious on environmental issues, and active community groups

and other locally based organisations such as the Centre for Sustainable Energy (CSE), the potential for successful local energy saving schemes is great. Participants thought this existing network could help to deliver the Green Deal, but it would be difficult to do this effectively without support to enable this activity, encourage take-up and benefit the local economy.

## Redcar with Ian Swales MP

Redcar is a constituency on the north east coast of England. It includes a seaside resort town, as well as areas east of Middlesbrough.

Unemployment is higher than the national average, while numbers of students, individuals educated to degree level and migrants are lower. Many people on low incomes live in the constituency, including a large number of older people. 22 per cent of properties are socially rented, which is almost four per cent higher than the national average.<sup>11</sup> With more semi-detached properties and fewer flats, detached and terrace houses, property prices are lower than the national average. Fuel poverty in Redcar and Cleveland is high, at 23 per cent.<sup>12</sup>

### Local activity

Redcar and Cleveland Council has a strategy for alleviating fuel poverty and runs a scheme called 'Warm and Well' which offers people advice on fuel poverty issues.

Local housing associations, such as Coast and Country Housing, have worked with EDF Energy and used CESP (Community Energy Saving Programme) funding to install measures in their properties, including ground source heat pumps, solar PV, and external wall insulation.

Redcar and Cleveland College, where our workshop took place, trains future installers of boilers, solar PV and other renewable technologies. The college's 'eco house' showcases a selection of these technologies and how they can be used. A separate project nearby, Middlesbrough Environment City, trains local people to be advisers and installers.

Middlesbrough and Redcar's Friends of the Earth group campaigns on climate change, and there are other groups that work across the north east, for example National Energy Action. However, civil society activity did not seem to be as strong here as the other constituencies.

Ian Swales MP, an engineer by training, campaigns actively on low carbon technology and local green job opportunities, including supporting a new offshore wind farm near Redcar.

### Redcar's issues and opportunities

- The Green Deal has the potential to create employment, training and apprenticeship opportunities. Redcar and Cleveland College could train Green Deal installers and assessors and local young people could work on exemplar homes. A programme based on the college's eco house could be established, and community centres could give advice and information. BTCV is interested in running local pilots, and Carillion Energy Services plans to work with existing local businesses. However, participants thought it wasn't clear exactly what the local opportunities for employment would be, and how local people could access the market.
- It was thought that many, particularly the unemployed, would be unable to afford the loan repayments. There was concern that the ECO would not provide sufficient support for the fuel poor, and that those already struggling to pay their bills would not be any better off financially after taking up a Green Deal. There was also concern that there had been little testing of the golden rule in practice and this should be done before the scheme is launched nationwide.

“Trust issues were highlighted, especially in relation to energy companies.”

- There was concern about homes with pre-payment meters, as the repayment charge would be much more apparent, being immediately taken off at the point of top-up, which could act as a disincentive. In addition, the fact that savings are likely to be on gas bills, but the repayment will come off the electricity bill, could be confusing for many people, especially those who already find their energy bills difficult to understand.
- Trust issues were highlighted, especially in relation to energy companies. Social housing tenants have been known to refuse to let people into their home, even if they are being offered measures for free. This attitude is unlikely to change if measures are being offered as a loan, especially if the tenant, not the landlord, has to make the repayments.
- Coast and Country Housing is interested in teaming up with local authorities to work together as Green Deal providers, which could give people assurance about the scheme. Local authorities could also endorse local Green Deal providers, to increase their trust and appeal. ‘Green Deal champions’ could be established; these would be trusted organisations that could encourage take-up and offer information and advice.
- Local authorities could play a role in awareness-raising and marketing the Green Deal, promoting a local brand; owned by Redcar, for Redcar. Community groups, in conjunction with providers, or local leaders could also play their part. But this would require financial support, and it was not clear where that would come from.

Overall the participants saw the potential for the Green Deal to play a part in energy saving and delivering jobs, but there were real concerns about the complexity of it, how it would be marketed, how it would work in practice, and how the fuel poor would be supported. There was a sense that the scheme, as currently designed, would be far from practical for a constituency such as Redcar.

# Improving the Green Deal

Five strong messages emerged from our workshops:

- Help to encourage take-up
- Give more support to the fuel poor
- Make sure local economies benefit
- Spread the message
- Help to drive real demand reduction

## Help to encourage take-up

All the workshop participants welcomed the £200 million in financial help to encourage take-up of the Green Deal in its first instance. But all were worried about how uptake could be encouraged beyond that. Housing associations and others offering measures for free have struggled to achieve take-up, and energy companies have recently admitted that they are concerned that they cannot hit their Carbon Emissions Reduction Target (CERT) targets, which involves them giving away insulation.<sup>13</sup> With the Green Deal there will be loans to pay back over time, with interest, which is even less likely to attract take-up.

There is also a major trust issue in this area. Although people are keen to save money on their bills and want to reduce emissions, the traditional deliverers of energy efficiency programmes, the energy companies, are suffering an all-time low in the trust stakes. Recent research by Accenture found that only 16 per cent would trust their energy company to inform them of actions to reduce their energy consumption.<sup>14</sup> Important to tackling this trust issue will be the involvement of known messengers in activating local networks, companies and groups. A relatively small pot of money, £10 million, has been provided to support community-led energy efficiency and renewable technology schemes in 200 communities around the UK through the Local Energy Assessment Fund (LEAF),<sup>15</sup> but application for this money has a very fast turn-around and will only benefit those communities that are already sufficiently organised.

The government has given no indication that it is looking to lower the cost of borrowing under the Green Deal, with proposals for a commercial interest rate of six to seven per cent which could be varied based on the fuel index. Participants in our workshops thought this interest rate was high and evidence shows that this rate is likely to discourage take-up. Market research undertaken by WWF and Great British Refurb shows that an interest rate of two per cent or under is necessary to make the scheme attractive.<sup>16</sup> Analysis undertaken by E3G also shows a two per cent interest rate, or below, is needed to make the scheme deliver comprehensive retrofits,<sup>17</sup> and this is supported by Accenture's work which indicates that the number of measures that would meet the golden rule range from 17 at a two per cent interest rate to just ten at a 12 per cent interest rate.<sup>18</sup> A variable interest rate is also likely to be perceived as risky as the charge to the household could increase over time. The recent announcement that the Green Investment Bank would prioritise supporting the Green Deal as one of its measures was welcome, but we have yet to see how it will do this.

## Recommendations:

**Incentives need to exist from the outset to encourage uptake and indicate the government's expectations around home energy efficiency.** Variable stamp duty could be introduced in a cost neutral fashion through two potential methods: either a straightforward variable rate of stamp duty based on Energy Performance Certificate (EPC) ratings, similar to how VED operates for vehicle efficiency; or an increase in stamp duty could be accompanied by a subsequent rebate if a Green Deal offer is taken up within the first year of occupancy. Either way, two otherwise identical properties, which differed in their energy efficiency, would have a different level of stamp duty payable by the purchaser, impacting on the house price. This would create an incentive for the seller to improve the property before placing it on the market; there would be immediate energy savings and an increase in property value; and it is an incentive for the purchaser to make their home more energy efficient when they

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are in the window of time after purchase of making home improvements anyway. It should also help encourage the market to value energy efficiency. Modifications to stamp duty are already being used to help deliver policy objectives: the zero per cent rate for properties under £250,000 encourages first time buyers to enter the market and all new ‘zero carbon’ homes are exempt from stamp duty. Another fiscal instrument that could be used to encourage uptake is capital gains tax, which Green Alliance will be proposing in our pamphlet *Saving for a sustainable future*, to be published in February 2012. We recommend that only properties that have reached a certain EPC rating should be exempted from this tax.<sup>19</sup>

**The interest rate needs to be lower. This could be achieved by using the Green Investment Bank to underwrite the default risk in Green Deal loans, thereby reducing perceived risks by potential financial providers.** This would ensure that low cost capital can be raised at the scale required and would reduce the interest rate on offer. Providing lower cost capital will mean the Green Deal starts to look comparable to other retail finance, which it will compete with and which is usually offered at a zero per cent rate, with the cost of finance built into the product. This could be the key to the Green Deal being taken up or not.

**Trust must be improved. There was an overwhelming lack of trust in schemes led by business.** This is supported by research from Which?<sup>20</sup> and Accenture.<sup>21</sup> Clear guidelines on what to communicate must be set out and local players given a clear role, see below.

**Community groups could have a powerful role, but are restricted by funds. LEAF should be extended to allow all communities around the UK to benefit from support, not just those sufficiently adept at accessing the money.** We estimate that this would require a total of £350 million to improve around 163,000 homes around the UK and money could be sourced from the sale of EU Emissions Trading Scheme (ETS) auction allowances.<sup>22</sup>

### More support for the fuel poor

In all three of our workshops there was a strong feeling that the fuel poor would not be adequately supported in existing plans. Only around 25 per cent of the ECO is due to go to affordable warmth (£325 million per year), whereas the CERT scheme alone currently gives help to fuel poor and vulnerable households in the region of £600 million per year, with additional money from Warm Front and the Community Energy Saving Programme (CESP), which are all coming to an end.

Local advice services said they would actively recommend that clients didn’t take up the Green Deal offer if they were struggling, as it would leave them no better off financially. This means that some of the most trusted messengers would actively work against the Green Deal.

The efforts of social housing providers to help their tenants, often classed as fuel poor, will be limited, as those who are yet to upgrade their properties will not be able to access any supportive financing (through ECO) unless their properties are solid walled. This means that any fuel poor social housing tenant in a cavity walled property would have to afford the full amount of any Green Deal repayment rather than being eligible for support.

Lastly, the onus is on the tenant, rather than the landlord, to promote the upgrading of a property and to organise and finance the works. It appears both perverse and inequitable that a tenant should assume responsibility for measures that ought to be the duty of the landlord and which will add to the value and quality of the dwelling.

### Recommendations:

**A greater percentage of the ECO money should go to the fuel poor; at least 50 per cent of the proposed pot should be accessible for this group.** The proposed percentage split between the fuel poor and the carbon savings target will not adequately support the increasing

“It appears both perverse and inequitable that a tenant should assume responsibility for measures that ought to be the duty of the landlord and which will add to the value and quality of the dwelling.”

numbers of people in fuel poverty. Installation rates of efficiency measures into vulnerable households should be closely monitored on a national level and government finance may need to be adjusted even further if these levels drop significantly from existing rates.

**Social housing providers should be able to access the Affordable Warmth element of the ECO money.** Whilst social housing on average has a higher degree of efficiency than private housing, one third of social housing has uninsulated cavity walls and will not be able to access ECO money due to the eligibility of solid wall properties only.<sup>23</sup> Social landlords, if accessing ECO money on behalf of a number of tenants, would also be able to achieve economies of scale and potentially better rates for their tenants and are likely to be more able to make these kinds of calculations.

**Collecting the Green Deal charge through pre-payment meters needs to be reconsidered.** The current proposals are likely not only to put off those tenants on pre-payment meters, but also those that advise them.

**More funding should be available for local branches of the Citizens Advice Bureau.** This would enable them to provide support and advice on the Green Deal to those in need, including the fuel poor, social tenants and social landlords.

### Make sure local economies benefit

Our workshop discussions made it clear that there would be greater support for the scheme if there was a clear route for it to be locally driven and to benefit the local economy. Attendees supported the involvement of local tradesmen in the Green Deal to help develop local skills and jobs. But through the current proposals it is up to Green Deal providers whether or not they choose to partner with local installers or groups. Other routes into the market for small, local businesses are not clear. This means that many of the potential trusted messengers of the scheme, such as a plumber who has been servicing homes in the neighbourhood for years, may be excluded from it and are, therefore, unlikely to promote it. Independent assessors would also have to compete with large companies who may offer assessments for free and subsume the assessment cost into the way they recover money for Green Deal repayments.

Although community groups are interested in the scheme, the lack of participation by local companies may mean they are less keen to get involved in either promotion or engagement. These groups also have limited time and funds and there seems to be little systematic way or clear route for them to help with delivery. This is why support through the LEAF programme is so essential.

Local authorities becoming Green Deal providers might be the solution to addressing these concerns, as they might be more natural partners for local businesses and community groups. But not all of the local authorities in the areas we looked at were planning to do so. Many are facing budget cuts that are putting big restrictions on their sustainability and climate change work. Recent Green Alliance research found that climate change work has narrowed, is very weak or is absent in 65 per cent of local authorities.<sup>24</sup>

### Recommendations:

**Help independent assessors to get involved.** To help assessors, a fund could be established, with money from some of the large Green Deal providers, so that independent assessors are not at a disadvantage in the market by having to charge upfront costs that may be off-putting to customers. This could also help address the major trust issue that the scheme faces. Research for Which?<sup>25</sup> and Accenture<sup>26</sup> shows that people prefer the assessment to be truly independent from the company selling products.

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**Subsidise training in installation skills and accreditation for self-employed tradesmen.**

This could be on a regional quota basis to allow them to have the skills and qualifications to access the Green Deal market. This could be funded through regional growth funds, which was suggested at our Bristol workshop.

**A mentoring scheme would support local authorities with the skills, finances and drive to be the first Green Deal providers to inspire and assist other local authorities.** The government announced in the Carbon Plan that it would provide guidance for local authorities to run energy efficiency programmes. But it will take more than guidance to ensure all local authorities have the skills and knowhow to set up their own Green Deal provision scheme which can be tailored to the local area and can involve local groups in its dissemination and design. Birmingham, for example, is a nationwide leader in this area.

**Loans could be provided by the Green Investment Bank to help support the set up costs of any local authority led scheme.** This could be on the proviso that local authorities engage with local contractors and assessors in their delivery of the scheme.

**All Green Deal providers should have to inform their local authority of any Green Deal upgrade activity they have carried out in their area.** This would allow local authorities to support any Green Deal schemes in their area, and act as a broker between Green Deal providers, community groups, local businesses and local contractors.

### Spread the message

The government is only planning to take a small role in what it sees as a market-led mechanism: setting up the regulation of the use of a Green Deal kitemark and assessment procedures; running a telephone line and website, which will provide independent information, referrals and advice on ECO support, and cover wider energy efficiency topics, eg the Renewable Heat Incentive and feed-in tariffs; and setting up the Green Deal Oversight Body.<sup>27</sup>

The government does not currently see itself providing any kind of communications function in support of the scheme. However, in all our workshops an overwhelming message was that groups wanted national support for any communications they might be running in their area, to give them legitimacy and to ensure control over the messages about the scheme that were being used.

### Recommendations:

**Introduce a national marketing strategy.** This could include open-source collateral and common messages that local groups and Green Deal providers can adapt for their situation, similar to the ‘five-a-day’ slogan for fruit and vegetables. At the national level, the government could set out why the Green Deal is being introduced, how it will interact with other measures and policies, and how it will help us towards a better future.

**Make the link with other schemes that the government has introduced or is planning to introduce.** For instance, feed-in tariffs, the Renewable Heat Incentive (RHI) and the roll-out of smart meters, as well as the improving efficiency of the government’s own estate. This would place the scheme within a clear framework of action from the government on this issue.

**Provide clear guidelines on how the Green Deal can be communicated.** This must be in simple, easy to understand language, with no misleading talk of “free insulation”.

### Help to drive real demand reduction

A lack of hierarchy in the measures that can be installed under the Green Deal means it could be used simply to finance and prioritise a product that a particular company promotes.

Equally, a home could install more attractive measures first, before those that might drive the greatest energy demand reductions, ie insulation.

Workshop attendees were also concerned that there is little chance that routine behavioural energy reductions would be considered, as there is nothing to incentivise Green Deal providers to give advice on routine energy efficiency, such as turning thermostats down and drawing curtains, which will take time and not generate any profits. There seems to be an assumption that this role will be played by local authorities, social housing providers or local community groups involved in Green Deal provision.

Lastly, it was thought that companies might increase the cost of measures for their own greater profits. Whilst the consultation proposes a requirement for three quotes for any Green Deal loan over £10,000, for smaller schemes householders might not be made aware of better offers, particularly if the assessor comes from a Green Deal provider.

#### Recommendations:

**A hierarchy of measures is needed, so that the most effective measures are installed first**, such as cavity wall and loft insulation, not just those that might be more appealing, like boilers and double glazing, or that a particular company provides. There is a precedent for this in how the RHI is being designed and this would help to deliver value for money for the householder and taxpayer alike.

**Secondary legislation should ensure the Green Deal can't just be used to finance a single product that a company promotes.** Each Green Deal interaction should come with a full assessment of the potential measures that could be installed in a property.

**The Green Deal Oversight Body should clearly specify the average costs of each measure.** People can then check their quotes against a baseline for comparison to insure against price inflation.

**The provider should be required to offer a follow-up visit six months after installation.** This would be to see how the installed measures are functioning and to help with routine energy efficiency and behavioural tips.

**Green Deal providers should be obliged to inform the local authority of any Green Deals completed in their area.** The local authority or community groups can then approach these households about routine energy efficiency. This could be tied in with the follow-up visit from the provider.

**The potential of community groups to help encourage behaviour change and demand reduction (not just roll-out) should be fully recognised.** The government needs to make it clear how groups can be systematically involved, and how they will be supported.

#### Conclusion

The Green Deal certainly has great potential to reduce the amount of energy we use in our homes and businesses, but, as currently designed, our workshop participants were not convinced that it could be the whole solution to reducing energy use and creating warmer homes in their areas.

There are a number of hurdles to overcome before this policy can really deliver on its promise. For local groups and businesses to support the proposals they need to see a tangible local benefit, feel supported in their engagement, and know that the delivery of the scheme is fair and will help all sectors of society. They also need to see that their action is part of a broader programme and receive clear support from central government through incentives and messaging.

## Endnotes

- <sup>1</sup> The consultation on the Green Deal and ECO was launched on 23 November 2011, to run until 18 January 2012. It can be found at [www.decc.gov.uk/assets/decc/11/consultation/green-deal/3607-green-deal-energy-company-ob-cons.pdf](http://www.decc.gov.uk/assets/decc/11/consultation/green-deal/3607-green-deal-energy-company-ob-cons.pdf)
- <sup>2</sup> More detail on the government's proposals is available on the Department for Energy and Climate Change website, [www.decc.gov.uk/en/content/cms/tackling/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/tackling/green_deal/green_deal.aspx)
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- <sup>4</sup> Department for Energy and Climate Change, 23 November 2011, *Green Deal and ECO impact assessment*, p.75
- <sup>5</sup> Green Alliance's Climate Leadership Programme aims to give MPs the knowledge and skills they need to lead a proactive and ambitious climate change agenda. For more information see [www.green-alliance.org.uk/politicalleadership/](http://www.green-alliance.org.uk/politicalleadership/)
- <sup>6</sup> UK fuel poverty, [www.poverty.org.uk/80/index.shtml#g7](http://www.poverty.org.uk/80/index.shtml#g7) (last accessed 10 January 2012)
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- <sup>13</sup> *The Scotsman*, 1 December 2011, 'We'll never hit our targets for cutting CO2 say energy firms', [www.scotsman.com/news/environment/we\\_ll\\_never\\_hit\\_our\\_targets\\_for\\_cutting\\_co2\\_say\\_energy\\_firms\\_1\\_1989421](http://www.scotsman.com/news/environment/we_ll_never_hit_our_targets_for_cutting_co2_say_energy_firms_1_1989421) (last accessed 10 January 2012)
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<sup>27</sup> This body will ensure providers are delivering to an agreed 'code of practice', will keep a list of all registered providers, installers and assessors, and will carry out monitoring and reporting on standards. See [www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/3744-green-deal-osb-overview.pdf](http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/green-deal/3744-green-deal-osb-overview.pdf)

## Acknowledgements and contributors

This report was written with input from Rebecca Willis, Guy Opperman MP, Charlotte Leslie MP and Ian Swales MP.

We would like to thank all those involved in this project: The Pure Climate Foundation, for funding support; Rebecca Willis, Green Alliance associate; Lauren Marriott, Green Alliance intern; Guy Opperman MP, Charlotte Leslie MP and Ian Swales MP and their staff; and Edward Corse, Syma Cullasy, Matt Prout and Jenna Owen of the Department for Energy and Climate Change.

Thanks also to the following organisations who participated in the constituency workshops:

**Hexham:** Allendale domestic oil buying group; Battlesteads Inn; BTCV; Capitalise; Carillion Energy Services; Centre for Green Energy; Centrica; Citizens Advice Bureau; Community Action Northumberland; Energy Link ltd; FOE; Green Ovingham; Hexham Community Partnership; Isos Housing; National Energy Action North East; North Energy; North Tyne Valley domestic oil buying group; Northern Powergrid; Northumberland County Council; Northumberland National Park Authority; Northumberland Warm Zone; Park End Electricals; Provincial Seals.

**Bristol North West:** Bristol City Council; Bristol Energy Cooperative; Bristol Green Capital; Bristol Green Doors; BTCV; Carillion Energy Services; Department for Energy and Climate Change; FOE; Knightstone Housing; Low Carbon South West; Make your home eco.

**Redcar:** Avanta; BTCV; Bydales School; Carillion Energy Services; Centrica; Climate North East; Coast and Country Housing; Department for Energy and Climate Change; FOE; Ingeus; Redcar and Cleveland College; Redcar and Cleveland Council; Sustainable Communities North East; Tadea ltd; Tees Valley Unlimited; Triage Central ltd.

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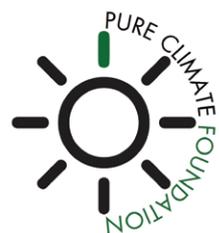
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Company limited by guarantee  
(England and Wales) no 3037633

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ISBN 978-1-905869-54-1

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This work is supported by the Pure Climate Foundation

This is a Green Alliance **policy insight** produced under the Climate Leadership Programme, which is part of Green Alliance's **Political Leadership** theme. For more information, visit [www.green-alliance.org.uk/politicalleadership](http://www.green-alliance.org.uk/politicalleadership)

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