Call for Evidence – Building a Market for Energy Efficiency

Energy UK response
9th January 2018

Introduction

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK’s energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

These high-level principles underpin Energy UK’s response to BEIS’s call for evidence on Building a Market for Energy Efficiency. This is a high-level industry view; Energy UK’s members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with BEIS or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK is grateful for the opportunity to respond to the call for evidence on Building a Market for Energy Efficiency and we broadly welcome the Government’s focus on energy efficiency as a cornerstone in its Clean Growth Strategy.

Energy efficiency is an enduring solution to help consumers reduce their energy consumption, improve the comfort of their homes, and is central to achieving the Government’s 2030 fuel poverty and 2050 carbon reduction targets. The energy industry has been actively supporting energy efficiency for over two decades and real progress has been achieved.

Industry has, however, long been concerned that households and the energy efficiency sector are overly reliant on subsidies (including the Energy Companies Obligation (ECO) – which the Government has confirmed is set to continue until 2028). Energy UK strongly believes that the fairest and most progressive method of funding energy efficiency programmes is through general taxation. Supplier obligations (such as ECO) are financially regressive as the costs are distributed among energy consumers regardless of their ability to pay.

Furthermore, the top-down approach through obligations on suppliers has, in our view, led to an expectation that energy efficiency measures should be provided free of charge, undermining the value of energy efficiency to the public.

The Clean Growth Strategy is an opportunity for positive change by refocusing on a long-term strategy around transitioning towards a competitive energy services market that is self-sufficient, demand-driven and not dependent on subsidy raised though energy bills. This requires a policy framework that supports competition to its fullest potential to drive cost-efficiencies, and offers a range of products and services that suit the needs of different consumer audiences.
Energy UK believes Government should help kick-start a sustainable able-to-pay energy efficiency market via a combination of incentives and funding mechanisms to engage with different consumer groups. These incentives should be supported appropriately by regulation to trigger demand in the market, and be underpinned by a long-term holistic Government strategy and consumer education campaign to promote demand.

While Energy UK and our members broadly welcome Government’s focus on building a market for energy efficiency and recognise that this is a step in the right direction, we are concerned about the lack of focus from Government in regards to ensuring that the right quality and standards framework is in place to underpin the widespread uptake of energy efficiency measures. We, therefore, strongly encourage Government to actively work with industry to ensure that the recommendations made in the Each Home Counts review are delivered in full. So far Government has taken the view that delivering the implementation of the recommendations is strictly up to industry. With the publication of this call for evidence, however, Energy UK considers that if Government is serious about building a market for energy efficiency, it must ensure that the quality and standards framework that will underpin this market is adequate. Without a stringent framework in place, consumer confidence in energy efficiency could be undermined before a market even gets off the ground.

We would also strongly encourage Government to read the Frontier Economics report commissioned by the Energy Efficiency Infrastructure Group (EEIG): “Affordable Warmth, Clean Growth”¹. The report, is an action plan for a comprehensive building energy infrastructure programme that takes a holistic view at what steps Government should take to fill the energy efficiency policy gap in the United Kingdom. Energy UK is a member of the EEIG and is a strong supporter of the action plan outlined in the report.

**Detailed responses to questions:**

**State of the Market:**

1. What information do you have on current rates of delivery of measures outside of Government programmes, including through DIY etc?

Energy UK and our members do not have information readily available on current rates of delivery of measures outside of Government programmes. We would however, note that delivery of energy efficiency measures primarily occurs through supplier obligations. The current market for energy efficiency is heavily reliant on subsidy. It is also worth noting that supplier obligations such as ECO focus on the most cost-effective measures which can have a distorting impact on delivery and will certainly mean that there is less of a market for some measures due to their high upfront cost.

2. What information do you have on the remaining potential for energy efficiency improvements and what savings could be expected from these measures?

Energy UK does not currently have any data on the remaining potential for energy efficiency improvements and what savings could be expected from these measures. We do, however, note that Government is likely to possess quite a bit of data in this area already. We would strongly encourage BEIS to carry out analysis on the remaining potential for energy efficiency improvements. The analysis would also provide an opportunity for BEIS to look at measures that are not commonly discussed, such as those outside ECO, and to look at the impacts of innovation and innovative solutions in the energy efficiency space. We would however, urge Government to keep in mind that even if analysis indicates that there is remaining potential for energy efficiency improvements, this does not mean that this will naturally translate into measures being delivered via a supplier obligation due to difficulty of finding eligible customers.

3. Do you agree with our assessment of the current market for energy efficiency amongst owner occupiers, including the trigger points and supply chain relationships?

As previously noted, the current market for energy efficiency outside of Government programmes is limited and creating demand for measures will be crucial in order to kick-start the wider uptake of energy

¹ EEIG and Frontier Economics report: “Affordable Warmth, Clean Growth”
efficiency. Energy UK does broadly agree with the trigger points and supply chain relationships for owner-occupiers outlined in the call for evidence. We would, however, note that the cost of measures is likely to be a barrier for many owner-occupiers that will be hard to overcome even if certain triggers are present that could ordinarily lead to demand.

4. Do you agree that it makes sense to prioritise those groups most likely to be open to investing in energy efficiency? And do you agree with our assessment of who those groups are most likely to be?

Energy UK recognises the need to focus on the groups prioritised in the call for evidence. However, as Government has set out the need to take a holistic approach to building a market for energy efficiency and rightly highlights that there is no silver bullet that will create such a market overnight, there is a need to consider wider groups and areas of focus. This will include ensuring that the Private Rented Sector (PRS) plays its part in helping to upgrade the UK housing stock which Energy UK considers will only happen through a significant tightening of existing regulations. BEIS’s (formerly DECC) own impact assessment of the existing regulations notes that the current standards are unlikely to result in significant improvements in the PRS as landlords are able to avoid taking action (44% of all F & G rated properties will not make any improvements). Ensuring a joined-up approach with the relevant enforcement agencies (likely to be Trading Standards officers) will also be crucial. We, therefore, welcome the recently published consultation on PRS minimum standards.

Furthermore, while we recognise the importance of focusing on upgrading the existing housing stock through retrofits, we urge Government to consider tightening building regulations for new-builds. Through a holistic approach that focuses on the owner-occupier, private rented as well as new-build sectors, Government would send a strong signal that energy efficiency is a national priority and would go a long way in creating the demand required to build a market for energy efficiency in the UK.

It is also worth noting that in creating demand, a vibrant market with purveyors of energy efficiency products will need a strong quality and standards framework that offers adequate consumer protection, consumer redress and advice. We, therefore, urge Government to play an active role in ensuring that the recommendations made in the Each Home Counts Review are implemented in full.

The Frontier Economics report: “Affordable Warmth, Clean Growth” which was commissioned by the Energy Efficiency Infrastructure Group sets out a holistic approach that considers all of these sectors as well as the need to create a demand for energy efficiency amongst the general population. We strongly encourage Government to consider the report.

Barriers to market growth:

5. Do you agree with our assessment of the current barriers to market growth?

Energy UK and our members broadly agree with Government’s assessment of the current barriers to market growth.

6. Are there other barriers that you think we should be addressing?

We would also urge Government to consider whether the cost of measures for owner-occupiers is a further barrier in and of itself. If so, we would encourage Government to look at further ways this barrier can be overcome.

Furthermore, we welcome Government’s assessment of quality and standards as a barrier to market growth and we consider that Government should take steps to address this barrier through taking an active role in working to ensure that the recommendations made in the Each Home Counts review are delivered in full.

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2 EEIG and Frontier Economics report: “Affordable Warmth, Clean Growth”
7. Do you think there are any other important lessons to learn from past attempts to stimulate the market?

Government has identified a number of barriers to market growth and has highlighted important lessons to learn from past attempts to stimulate the market. While Energy UK agrees with the lessons identified in the call for evidence, we would highlight two further points for Government to consider. Firstly, Government should also learn from its focus on supplier obligations. The lesson from ECO, and previous schemes such as CERT and CESP, is that supplier obligations alone have not created demand, rather, they have artificially maintained a market and supply chain through heavy subsidy. Secondly, if Government is serious about building a market for energy efficiency, a quality and standards framework should be at the heart of its efforts in order to avoid negative consumer experiences that could undermine the widespread uptake of energy efficiency.

8. Are there other international examples we could learn from?

Energy UK would encourage the UK Government to make energy efficiency a national priority and follow the example set by Germany who in December 2014 published a National Action Plan on Energy Efficiency3. The consultation on the Green Paper on Energy Efficiency that followed in August 20164 set out a principle of “efficiency first” which should be applied within planning and control processes in energy policy and the energy market. In order to build a market for energy efficiency, Government should lead in signaling that this is a national priority and we would, therefore, encourage Government to apply the German “efficiency first” principle in the UK.

9. Are there any barriers preventing business models for energy efficiency that have developed in other countries from also developing in the UK?

Energy UK notes that the UK Government’s primary focus on funding energy efficiency through supplier obligations has, in our opinion, led to an expectation that energy efficiency should be provided free of charge, undermining the value of energy efficiency to the public and has worked to stifle demand. It has also meant that the supply chain has never found itself in a position where it has had to market and sell its products to customers. Both of these points act as natural barriers to energy efficiency business models developing in the UK.

Furthermore, in its call for evidence on Building a Market for Energy Efficiency, Government’s identifies the lack of policy certainty as being a barrier to market growth. Energy UK agrees with this assessment and notes that this is a key barrier for business models developed in other countries getting a foothold in the UK. Long-term policy certainty and a robust policy framework will be key to overcoming this barrier.

Government also points to lessons from other countries regarding successful schemes that have encouraged the widespread uptake of energy efficiency. Energy UK would argue that schemes that have been successful in driving demand in Germany, the Netherlands, Italy, Denmark and Sweden have done so precisely because energy efficiency was a national priority. The Governments in question have aimed to put the right policy frameworks in place to deliver energy efficiency savings. We strongly encourage the UK Government to take the same approach.

Proposed approach:

10. Do you agree with the set of proposed principles for guiding our approach?

Energy UK broadly agrees with Government’s proposed principles that will guide its approach to building a market for energy efficiency.

11. Do you agree that the policy areas we have set out are the correct ones?

Energy UK welcomes the focus on both demand and supply side policies outlined in the call for evidence but would like to highlight further policy areas for Government to focus on.

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4 [https://www.bmwi.de/Redaktion/EN/Publikationen/green-paper-on-energy-efficiency.html](https://www.bmwi.de/Redaktion/EN/Publikationen/green-paper-on-energy-efficiency.html)
**Demand side measures:**
In addition to the demand side policy areas outlined in the Building a Market for Energy Efficiency Call for Evidence, Energy UK and our members also believe that there is a role for Government in signaling that energy efficiency is a national priority and that all sectors should have a focus on improving the energy efficiency of the UK building stock. In effect, Government should make a national call for action on energy efficiency and should seek to drive change and demand in this area through tighter regulations for both the private rented and new-build homes as well as ensuring that products meet the highest energy efficiency standards.

**Supply side measures:**
Energy UK considers that, in addition to the supply side policy areas identified in the call for evidence, quality and standards of energy efficiency measures are of critical importance and are noticeably missing from the list of supply side measures. Without a robust quality and standards framework in place, there is a risk that the value of energy efficiency for the consumer will be undermined and that we will not be able to build a market for energy efficiency.

**Developing new ways for financing energy efficiency:**

**12. Which fiscal levers described here would drive the greatest consumer demand?**

As BEIS itself recognises, there is no silver bullet that will lead to the widespread uptake of energy efficiency. Energy UK, therefore, welcomes Government’s focus on fiscal levers as one option for incentivising the uptake of energy efficiency measures, but would note that not all fiscal levers drive demand. For example, Government providing loans will likely only provide consumers already interested in improving the energy efficiency of their homes with a way of funding these measures. If Government is serious about driving demand, all of the mentioned options will likely be required. We would also encourage Government to seriously consider how these levers could be designed so as to ensure that households do not take on debt that they will not be able to repay within a reasonable timeframe. In its response to the call for evidence on Green Deal Framework Reform, Energy UK strongly calls on Government to refrain from any reform of the framework that would relax the Golden Rule so as to avoid this very problem.

Government also highlights direct subsidy as an effective way to drive consumer demand. Energy UK agrees with this assessment and would encourage Government to give serious consideration to this option as one part of a holistic national energy efficiency strategy. Government has previously provided subsidies to drive the uptake of different technologies in the case of the Feed-in Tariff (FIT) and the Renewable Heat Incentive (RHI). In the case of FIT, Government subsidies contributed to the price of the technology dramatically being reduced due to the increase in demand and technological advances. This enabled Government to reduce the level of direct subsidy over time but has meant that a market has been established for the longer term.

**13. Is there evidence to suggest that any other fiscal levers not described here could drive consumer demand?**

Effectively marketed fiscal incentives could support the uptake of energy efficiency measures.

Below, we have set out some levers we believe Government should consider to help stimulate an energy efficiency market.

**Stamp Duty:**
Varying Stamp Duty, provided it is revenue neutral, could trigger both sellers and buyers to take action and install energy efficiency measures. For example, a buyer could claim a rebate for a percentage of the stamp duty based on EPC improvements installed within one year of purchasing the property. Stamp Duty is paid by the property buyer, but its impact on the total cost of purchasing the property makes it of significant interest to the seller. Alternatively, to encourage sellers to take action, the Stamp Duty charge could vary depending on the building’s EPC. The merit of adjusting Stamp Duty in relation to
energy efficiency is that it would incentivise demand for energy efficiency amongst home-owners and make its value pronounced and recognisable in the housing market.

**Changes to the tax system:**
A number of changes could be made to the tax system to encourage energy efficiency. For example, reduced/zero rates of VAT, Mortgage Interest Tax Relief, Capital Gains Tax, changes to the personal tax allowance, and Council Tax rebates. These initiatives could be used as appropriate to incentivise different audiences. Such proposals are, however, likely to be politically challenging and require significant alterations to UK and European (in the case of VAT) tax law and systems. There may be more targeted or straightforward changes to the tax system worth consideration. For example, the reintroduction of the Landlord’s Energy Saving Allowance (LESA) could help drive demand for energy efficiency measures in the PRS.

**Salary Sacrifice:**
Energy efficiency measures could be paid for through instalments taken directly from a person’s gross salary (salary before tax deductions), this is similar to the Bike to Work scheme which has proven a popular way of purchasing a new bike. This option would remove the barrier of upfront costs for energy efficiency measures and present a tax benefit to incentivise customers. A salary sacrifice could also provide a finance route to measures for those not eligible for other forms of credit.

Consideration is required on whether to cap the salary sacrifice loan and how a loan currently being repaid is transferred between employers. The Bike to Work scheme is capped at £1000 and under the scheme any outstanding amount is taken from a customer’s final net pay as it then becomes a taxable benefit. Energy UK believes that a £1,500 cap may be appropriate for an energy efficiency salary sacrifice scheme. A £1,500 the cap would help ensure that the loan reimbursement remains manageable even in cases where employees change jobs. A £1,500 cap would suit measures such as loft and cavity insulation, LED lighting and boilers.

14. What would be the profile of homeowners likely to take up these different incentives?

As noted in response to question 12, not all fiscal levers are likely to drive demand. Fiscal lever such as loans provide customers who are already interested in investing in energy efficiency with incentives and a way to finance measures. We consider that it would be primarily customers who are already likely to engage with energy efficiency who will be interested in taking up those kinds of measures whereas levers such a varying Stamp Duty and tax levers would be more helpful in kick starting a wider uptake of energy efficiency.

15. How could these incentives be designed to deliver the best value for money for Government and best savings for consumers?

This is ultimately a question for Government. We do, however, note that numerous organisations have previously explored how Stamp Duty could be used to increase consumer interest in energy efficiency, including the UK Business Council for Sustainable Energy (UKBSCE), one of three organisations that merged to form Energy UK in 2012.

UKBSCE suggested that rates of Stamp Duty should vary with EPC rating as set out in the matrix below.

<table>
<thead>
<tr>
<th>EPC Rating</th>
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<th>B</th>
<th>C</th>
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<th>E</th>
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<td>Up to £125,000</td>
<td>0%</td>
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<td>£125,001 to £250,000</td>
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<td>4.5%</td>
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<td>£250,001 to £925,000</td>
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<td>6%</td>
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<td>£925,001 to £1.5 million</td>
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<tr>
<td>£1.5 million or more</td>
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<td>17%</td>
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The current thresholds for Stamp Duty are:

- Up to £125,000: 0%
- £125,001 - £250,000: 2%
- £250,001 - £925,000: 5%
- £925,001 - £1.5 million: 10%
- £1.5 million or more: 12%

We are aware of the announcements made in the 2017 autumn budget which abolished Stamp Duty for first-time buyers on purchases of up to £300,000, and on the first £300,000 of purchases of up to £500,000. In light of these changes we believe there is an opportunity for Government to make further changes to Stamp Duty which could help incentivise the uptake of energy efficiency measures.

The rationale for this matrix is:

- It would need to be designed to be revenue neutral (slight increase at current EPC distribution; slight decrease if households improve one band);
- Strongest pressure on F and G rated homes, where excess cold is a potential health hazard and fuel poverty gaps are likely to be largest. We note that exemptions for certain households (e.g. the fuel poor) may need to be considered.
- Preserves current step structure of Stamp Duty, though the principles could be adapted to any wider change to Stamp Duty to remove the steps;

The Policy Studies Institute (PSI) has also previously looked at how Stamp Duty could be used to incentivise energy efficiency. In 2004, the PSI proposed that all house sales could attract a surcharge on Stamp Duty equivalent to 1% of the value of the property, which would become payable a year after the sale was completed, unless the householder could provide an energy efficiency certificate showing that all cost-effective energy efficiency measures had been carried out in the intervening year. PSI estimated that implementation of such a scheme could save a minimum of 10% of household carbon emissions. The measures would cost householders £6.4 billion, but would save them a net present value of £19.7 billion. The average rate of return to householders would be 23%.

16. What barriers, regulatory or otherwise, exists to financial institutions developing any of these products or incentives themselves?

Energy UK considers that if a market is created and if there is demand for energy efficiency measures, financial institutions are likely to develop the products to meet this demand.

Following the publication of the Each Home Counts review, a workstream was established to look at finance and insurance. We would encourage Government to engage with this workstream to increase its understanding of this topic. Energy UK and our members would strongly note that quality and standards will be key to ensuring that lending specifically for energy efficiency improvements will become less risky for financial institutions. We would therefore like to see Government take on an active role in ensuring that the Each Home Counts Review delivers the implementation of the recommendations that will address the concerns around the need to strengthen the quality and standards framework.

17. How could Government assist financial institutions with a retail presence, local authorities and other actors to run trials of these ideas?

We believe others are better placed to respond.

18. How could we ensure that any trials would lead to the development of a self-sustaining market for support?

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5 Rates are different in Scotland under the Land and Buildings Transaction Tax; as such different thresholds might be required in Scotland.

We believe others are better placed to respond but would note that the nature of trials is such that you cannot guarantee an outcome.

**Price signals to encourage homeowners to prioritise energy efficiency:**

19. **What price signals would best drive uptake of energy efficiency measures?**

Price signals are a mechanism for driving energy efficiency that would potentially take a while to manifest in terms of outcomes and Government would, therefore, have to be patient to allow the price signals to take effect. Given that Government is looking at price signals to encourage homeowners to prioritise energy efficiency, Energy UK considers Stamp Duty and EPCs as two potentially good options that BEIS should look into. We have previously, in this response, flagged Stamp Duty as an incentive Government could consider. Varying Stamp Duty could also be an effective price signal that over time could lead homeowners to ascribe value to energy efficiency and could drive the wider uptake of measures.

20. **What would be the impact on the housing market of such price signals?**

If Government was to focus entirely on price signals to help drive energy efficiency, there would be a risk that a two-tiered market could be created, one for those that can afford energy efficiency and one for those who cannot. We, therefore, welcome Government’s focus on taking a holistic approach that looks at how different levers might work together to create demand and build a holistic market for energy efficiency. Government will need to prioritise ensuring that there are different mechanisms in place for different groups so as to ensure that the benefits of energy efficiency will not just be for those who are able to pay for measures.

21. **What protections would need to be in place to ensure that vulnerable or fuel poor customers are not unduly affected by these price signals?**

Government should look to ensure that any incentives or mechanism that are put in place to drive the uptake of energy efficiency are not just targeted at those groups that are able to pay for measures. It should instead focus on putting in place a broad programme for driving energy efficiency that have mechanisms and schemes that are accessible for all. The Frontier Economics report: "Affordable Warmth, Clean Growth" takes a holistic approach to a buildings energy infrastructure programme with incentives for different groups. One of the recommendations made in the report is for grant schemes should be set up and run in every local authority for which low-income households would be eligible. The report argues that such a scheme should sit alongside a national programme. Energy UK would welcome this approach as we recognise that for a market for energy efficiency to be built you should not just focus on the able-to-pay sector but rather put in place a programme that reaches all sectors.

22. **Could these ideas be rolled out on a smaller scale, to a particular subset of homes of in a particular geographical area, to test feasibility before a national rollout?**

Energy efficiency is an enduring solution that can help address both fuel poverty and carbon emissions from buildings. Ensuring the widespread uptake of energy efficiency is, however, not something that will happen overnight. Energy UK would encourage the UK Government to put in place a holistic and comprehensive energy efficiency programme. In spring 2017, the Scottish Government published a consultation on Scotland’s Energy Efficiency Programme (SEEP). The Scottish Government intends for SEEP to be a 15-20 year programme that will be rolled out in phases and where a series of pilot projects will be carried out with local authorities in the early stages of the roll-out. Energy UK strongly supports the Scottish Government’s approach to and focus on energy efficiency. We would encourage the UK Government to take a similar approach and to learn any lessons to come out of the way Scotland has designed its energy efficiency programme including looking at the role for Government funding.

**Improving awareness of energy efficiency products and technologies, their benefits and advice to consumers:**

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7 EEIG and Frontier Economics report: “Affordable Warmth, Clean Growth” P.63
23. What evidence do stakeholders have on the link between installing an energy efficiency measure and the value of property? What research could bolster this evidence base?

Energy UK does not have any evidence on the link between installing an energy efficiency measure and the value of property.

24. How could Government effectively deliver messages to promote energy efficiency through intermediaries and which are the most important intermediaries to target?

Energy UK welcomes Government’s focus on working with intermediaries to promote energy efficiency more widely. In order to ensure effective promotion of energy efficiency that can actually lead to the uptake of measures, it will be important that intermediaries tasked with delivering messages about the benefits of energy efficiency are trusted by customers. Examples of such intermediaries could be local authorities, estate agents who are tasked with selling a property and the local supply chain where there will be opportunities for them to engage with customers when other renovation work is being carried out at a customer’s home.

25. At which additional points could homeowners be required to have an EPC, and how could this improve their value and the awareness of potential energy efficiency improvements?

An EPC can be a valuable tool in improving homeowners’ understanding and awareness about whether their property could benefit from energy efficiency improvements. Requiring homeowners to commission an EPC more frequently when work on the property is carried out, could potentially incentivise the uptake of energy efficiency measures. Such work could include when there is a change to the heating system, change of boiler and perhaps when extensions are being built. This is perhaps also where intermediaries such as the supply chain carrying out the work or local authorities granting planning permission might be helpful in promoting energy efficiency.

Energy UK also notes that a new EPC should also be required when local authorities are renovating their own building stock in order to drive home both with customers and the local authority the wider value of energy efficiency.

26. How could EPCs be displayed more prominently to prospective homebuyers at different stages of the home buying process?

We support any measures that can help drive demand for and the uptake of energy efficiency. However, it is doubtful whether displaying an EPC more prominently will have any great effect to prospective homebuyers. Instead, BEIS should focus on measures such as Stamp Duty and other fiscal and financial incentives (as previously outlined in our response) that over time can lead to consumers actually ascribing a financial value to a home’s EPC rating.

Creating the conditions so that those who derive value from energy efficiency can be key players in the market;

27. Have we captured all the main sources of additional value of energy efficiency?

We welcome Government’s focus on mapping the main sources of additional value of energy efficiency. We consider energy efficiency to be an enduring solution that can help consumers across the board live in more comfortable homes that they are able to stay in for longer. In addition, it can help customers control their energy bills and will have benefits for the wider economy. It is however, worth noting, that whilst energy efficiency has many benefits, it may not actually lower energy demand or bills as consumers may decide to increase their comfort by having a warmer home by spending the same amount of money on their energy.

28. What other ways could we seek to monetise the benefits of energy efficiency?

Energy UK notes that not all of the benefits of energy efficiency can be monetised and energy efficiency improvements may not always result in lower bills for consumers or a reduction in demand. Improving
the quality and comfort of people’s homes should be viewed as being of equal importance and we note that warmer homes is likely to have a significant health benefit for people who previously lived in cold homes. It has been estimated that cold homes in England result in an estimated £1.36 billion cost to the NHS per annum and contributes to “excess winter deaths” which occur every year in the UK. We strongly consider that energy efficiency could, therefore, have a role to play in helping to alleviate excess pressure on the NHS.

29. How could both Distribution Network Operators (DNOs) and Gas Distribution Networks (GDNs) be incentivised or required to deliver energy efficiency savings?

Energy UK notes that as part of the next price review, Ofgem could encourage networks to deliver energy efficiency savings. Alternatively, Government could consider placing obligations on the network operators as they do on suppliers with ECO. The Government, would, however need to consider what impact this would have on consumers’ bills as well as the technical potential for measures.

30. Do current market arrangements allow for DNOs and GDNs to fully realise the potential of energy efficiency savings? If not, what needs to change?

We believe others are better placed to respond to this question.

31. What are mortgage lenders’ plans for improving the way they factor energy efficiency into lending decisions?

We believe others are better placed to respond to this question.

32. What support would lenders need in order to be able to commit to a voluntary target for improving the average energy efficiency of the properties they lend to?

We believe others are better placed to respond to this question.

33. How can lenders develop a more accurate model of fuel bill savings, and would they be willing to lend to ‘green mortgages’ on this basis?

Achieving greater accuracy of fuel bill savings will require lenders to have access to energy saving calculators which utilise clearly defined notional building archetypes (e.g. 1930s semi-detached profile), energy efficiency measures with deemed energy savings and be able to capture more data inputs on occupancy behavior. Such models already exist on the market but the Government could provide valuable investment and support to make them accessible and fit for purpose for mortgage lenders to use.

34. What other changes would encourage lenders to offer more ‘Green Mortgage’ products?

We believe others are better placed to respond to this question.

*Enabling innovative energy efficiency products and services:*

35. How could thinner, less intrusive insulation products be made to be compliant with building regulations?

We believe that others are better placed to respond to this. Energy UK would however, note that it is important that standards are not lowered.

36. Are there any ways that current regulations are preventing innovative energy efficiency products and services coming to market?

The current market for energy efficiency relies primarily on subsidies through supplier obligations. ECO limits innovation in that suppliers do not have the freedom to choose measures that will count towards their obligation target. They are able to choose measures from a set list of eligible measures and will

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seek to deliver the ones that are the most cost-effective. In this way, ECO policy is not conducive to innovative energy efficiency products and services coming to market. Given that the energy efficiency market is currently artificially driven by ECO funding this inherently inhibits innovation.

It is also worth noting that the current PRS regulations not only, in Energy UK’s opinion, need considerable strengthening but currently also only require landlords to make energy efficiency improvements that bring their property to EPC band E, at no upfront cost. With this having been set as the minimum requirement, this inherently leads landlords who are not exempt from the regulations to go no further than what is required under the regulations with no long-term trajectory to drive higher standards in the PRS sector as a result. Energy UK considers that tightened PRS regulations can help to create demand for energy efficiency measures which will ultimately help create a market that can support innovative energy efficiency products and services.

37. What changes should be made to the Energy Company Obligation to ensure that it supports the development of innovative energy products and services?

Energy UK believes that ECO can have a role to play in encouraging innovation. As noted above, the current ECO framework does not provide obligated suppliers with much incentive to innovate. Should the Government decide that ECO has a role to play in supporting the development of innovative energy products and services, we believe this could be achieved through the reintroduction of an innovation allowance, as previously seen under CERT.

Improving data to open up the market for investment:

38. Are there other ways that Government could help improve access to data on energy efficiency and performance of homes for research purposes?

We believe others are better placed to respond to this question.

39. What would be the impact on the market and investment in energy efficiency of the availability of better data on the actual performance of homes?

Energy UK is unsure whether better data on the actual performance of homes would have an impact on the market for and investment in energy efficiency. It is not clear whether customers would know what to do with the data even if it was available.

Improving supply chain capability:

40. Would the supply chain benefit from having a feature in the new Energy Savings Advice service for installers to share best practice and access a repository of advice?

Energy UK considers that the supply chain is best placed to respond to this question.

41. Would funding for local supply chain growth and coordination lead to additional retrofit measures?

Energy UK would welcome funding for local supply chains if this was targeted at upskilling the supply chain through help, education and support. We would be concerned if funding was made available to underpin supply chain growth as Government would potentially run the risk of distorting the market.

42. Is there anything else that central Government could do to support local retrofit supply chain growth and to support builders to carry out retrofit projects?

As clearly highlighted throughout our response, Energy UK and our members strongly believe that ensuring that there is the right quality and standards framework in place to underpin a widespread uptake of energy efficiency is of critical importance. In 2015, the Government commissioned Peter Bonfield to carry out an independent review of consumer advice, protection, standards and enforcement for energy efficiency and renewable energy. The report was commissioned because Government and wider stakeholders clearly identified the need for an improved and robust quality framework recognising
that the existing framework was not delivering the right protection and outcomes for consumers. Since the Each Home Counts report was published in December 2016, the workstreams tasked with the implementation of the recommendations have made slow progress to date due to the work being taken forward on a voluntary basis by different industry stakeholders. Energy UK and our members are concerned that the required outcomes will not be delivered to address the concerns that led Government to commission the review. We, therefore, strongly believe that there is a central role for Government in driving forward the implementation of the recommendations.

For further information or to discuss our response in more detail please contact Cecilie Ingversen on 020 7747 2969 or at cecilie.ingversen@energy-uk.org.uk.