



Energy and Climate Change Committee

Oral evidence: [Green Deal watching brief \(part 2\)](#), HC 1111

Tuesday 1 April 2014

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Members present: Mr Tim Yeo (Chair); Ian Lavery; Sir Robert Smith; Graham Stringer; Albert Owen

Questions 1-61

Witnesses: **Peter Broad**, Policy Manager, Citizens Advice, **Jenny Holland**, Head of Parliamentary Team, Association for the Conservation of Energy, **Jenny Saunders**, Chief Executive, National Energy Action, **Richard Lambert**, Chief Executive, National Landlords Association, **Matthew O'Connell**, Policy Officer, British Property Federation, **Cllr Tim Moore**, LGA Environment and Housing board, Local Government Association, **John Alker**, Director, UK Green Building Council, gave evidence.

Examination of Witnesses

Witnesses: **Peter Broad**, Policy Manager (Energy), Citizens Advice, **Jenny Holland**, Head of Parliamentary Team, Association for the Conservation of Energy, and **Jenny Saunders**, Chief Executive, National Energy Action, gave evidence.

Q1 Chair: Good morning. Thank you very much for coming in. I know we have seen at least some of you before. Would you introduce yourselves for the benefit of the Committee?

Jenny Saunders: I am Jenny Saunders, Chief Executive of National Energy Action charity.

Jenny Holland: I am Jenny Holland. You have a duplicity—is that the right word?—of Jennys this morning. I am Head of the Parliamentary Team at the Association for the Conservation of Energy.

Peter Broad: I am Peter Broad, Policy Manager, Citizens Advice. I should mention that, as of today, Consumer Futures, the statutory watchdog for energy consumers, has become

part of Citizens Advice. I am representing Citizens Advice, which has taken on those roles as the statutory watchdog for energy consumers.

Q2 Chair: Thank you very much. I hope this is an auspicious day to make a change of that sort. Could I start with a general question? How satisfactory do you think the take-up of the Green Deal has been so far?

Peter Broad: From our point of view, I think the important thing is take-up of energy efficiency measures in general, not just take-up of Green Deal finance. All the evidence we have is that take-up has not been satisfactory. Take-up of Green Deal finance has been very low. The take-up of Green Deal incentives has been low. Most of the activity in the energy efficiency market has been around ECO. We have seen very little activity in the able-to-pay sector. DECC's official statistics do not monitor installations if they happen outside those schemes, so we do not have precise figures on whether some consumers are installing measures and using their own finance, as DECC's assessment research suggests they are. I think everything suggests that a lot more needs to be done to engage consumers and to motivate consumers on the able-to-pay side.

Jenny Holland: As I am sure you know, the latest statistics were published on 20 March showing take-up to the end of February; that means with regard to Green Deal. Just 33 new Green Deal plans have been taken up in February, which is the lowest level since the scheme began.

What I also found interesting, delving into the statistics, was that, for the first time ever since the scheme's inception, the number of new Green Deal plans, which are the ones where customers have obtained a quote and said that they are going to go ahead, has dropped from 494 to 445. Also, the number of pending Green Deal plans, where a Green Deal plan has actually been signed by the customer and progress has theoretically been made to install the Green Deal measures, has also dropped from 481 to 426. That suggests that, for the first time ever, people are starting to drop out after they have signed on the dotted line, rather than prior to getting to the point where they say they want a Green Deal plan.

As Peter says, it is disappointing that only 883 households have had measures installed under the Green Deal plan. I am sure I am not the first person to say that falls a long way short of the 10,000 by the end of 2013 that Greg Barker, the Minister, was anticipating about 18 months ago. Yes, there is a long way still to go. There is no indication either that the cashback scheme has pushed take-up to any significant degree. The total value of the cashbacks that has been taken out is £2.8 million, but that is about 3% of the £125 million that was set aside for the incentive scheme. The cashbacks alone are not driving significant amounts of extra take-up.

Jenny Saunders: From NEA's perspective, Green Deal was never recognised as the mechanism that was designed to help people in fuel poverty, so we have had less of an interest in the success of that scheme. However, I would back up the comments from my colleagues on the panel that we want to see this scheme work. We need to a much greater take-up as a nation of energy efficiency more generally and the fear is the props for the Green Deal are valuable resources that could have been used for capital measures for fuel-poor households. It is in nobody's interests to have to keep on propping up the scheme

through incentives and cashbacks, where perhaps those measures would have been installed anyway. A third of the cashbacks vouchers have gone for boilers that would have been replaced anyway.

Q3 Chair: “Disappointing” is putting it pretty mildly, isn’t it? It is disastrous. We have the drop you have just referred to, Jenny. We also have quite a big gap between the people who make an inquiry and then go ahead with the plan. Why do you think there is such a big drop-out rate between those two?

Jenny Holland: I think there is a whole series of reasons. Definitely the customer journey is long, arduous and complex and I think many would-be customers find that extremely difficult to navigate and eventually they drop out from it. Also, a lot has been said about the interest rate under the Green Deal. It is true that the Green Deal Finance Company is offering a pretty good deal, but when customers look at taking out a loan for a very long period and they look at a situation where the level of their repayments exceeds the initial capital loaned to them, they can find that pretty off-putting.

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

There is a whole series of factors that make the financial offering look unattractive. The complexity of the customer journey makes it unattractive. The Green Deal paperwork amounts to 20 pages, which compares very unfavourably to about five pages when you are just going to take out an ordinary bank loan. I think there is a multiplicity of factors that needs to be addressed.

Jenny Saunders: DECC is saying that, from the surveys they have carried out, they expect 80% of people who have had an assessment to go on and take measures but, as you say, they are not reporting on that; so we do not know how accurate that is. I would query how many of the people who had assessments paid for by grants that were used to kick-start the scheme were serious in the first place. If you have 150,000 people who were not contributing to that assessment, how serious were they about taking measures? I don’t know that we understand that.

Q4 Chair: Trying to look on the bright side, is there any evidence that people who have an assessment then go ahead and do something without going through the Green Deal process?

Peter Broad: In DECC’s surveys of the assessment, there is some evidence where consumers are saying that that is the case. However, we have yet to see feedback from industry that that is taking place on the ground. Indeed, DECC’s follow-up research on some of the initial surveys they did around assessments show that some consumers who were initially thinking of taking up a measure after the assessment had then decided against it at a later point. I don’t think we can say with any certainty whether those assessments that consumers say are happening are happening in practice. As I said earlier, our view was the Green Deal should be a branding for energy efficiency in general, not

just for the specific finance mechanism. We think that any installation by a Green Deal accredited installer should be recorded and should afford the same consumer protections and also be recorded in the statistical framework in the same way.

Q5 Chair: What can DECC do to improve the take-up?

Jenny Holland: One of the things that is already happening with a couple of the Green Deal providers is that they are piloting an offer whereby, alongside the cashbacks incentives and the Green Deal finance offering, they are also offering a straightforward top-up loan via an ordinary high street bank. The providers to whom I have spoken, for whom this is still at a very early stage of the process, are saying that, taken together, this constitutes a much more attractive proposition for a large number of households. Offering a top-up loan alongside the Green Deal finance obviously covers that problem whereby the Green Deal finance on its own can't cover the package of Green Deal recommended measures. I think that is an important route down which to try to go more generally.

Jenny Saunders: There are increasing numbers of Green Deal providers, so it looks as though the infrastructure is growing. In terms of encouraging more players into the market, DECC figures seem to suggest they are having success there, although some are dropping out as well. I think, generally, having a much improved communication strategy is going to be essential because, while awareness of something called the Green Deal is there, what is the proposition and are customers clear what it is that is provided under that? Are we talking about particular measures or a finance package? I think the way in which the whole scheme is communicated by different players has to be improved.

Peter Broad: Jenny has made points about simplification and taking steps to reduce the interest rate and help consumers get access to finance and I think those are important things, but our research that we carried out before the Green Deal start showed that access to finance was a barrier only for a minority of consumers and that is where Green Deal finance focuses. However, you need to be looking at why consumers are not engaging more widely in energy efficiency; so bigger barriers, hassle, lack of awareness and things like that. While you can improve Green Deal finance per se, I think you need to look much more widely at how you incentivise consumers to take up energy efficiency wherever you can. We advocate things like tax-based incentives such as a variable stamp rate, for example. The private rental sector regulations need to be appropriately drafted and enforced to ensure that they motivate installations in that sector. We need to be sure that there is a clear offer for consumers in terms of Green Deal and ECO so they know what they are getting and clear advice and information from DECC on that for consumers.

Q6 Chair: Do the changes to ECO have an effect on the Green Deal?

Peter Broad: I think they undermine the framework in a way. The framework that DECC set out and which we supported was that consumers who can pay pay, and the ECO supports measures that either are too expensive to be cost effective, particularly solid-wall insulation, and also measures for low income households who cannot afford to install measures themselves. However, the Energy Company Obligation under the proposals put forward by DECC is being opened up to support cheap cavity wall and loft insulation for

the able-to-pay sector. Those are measures that should be funded by consumers themselves. I think in that sense it very much does undermine the Green Deal.

Q7 Sir Robert Smith: I would remind the Committee of my entry in the Register of Members' Financial Interests relevant to this inquiry as the owner of property from which I get rental income.

How much are the Green Deal and ECO contributing to achieving the targets for saving carbon?

Jenny Holland: I will kick off on this if I may. This is a thorny one. As your Committee found the last time you were looking at the Green Deal and ECO, it is not easy, to put it mildly, to discover what DECC's carbon and energy saving ambitions are for the Green Deal. It is clearer what their carbon and energy goals were in relation to ECO.

If I may, I will focus on the recent changes that were proposed in the ECO consultation. I think a lot of people are aware of the headline whereby the Carbon Emissions Reduction Obligation, CERO, was cut in terms of its carbon saving objective from 20.9 megatonnes of carbon by a third. We believe that the effects of the ECO changes proposed in the consultation will be a lot more catastrophic than that, leading cumulatively to no CERO activity at all being undertaken during the rest of 2014.

Without wanting to drown you in figures, it goes something like this. The original CERO target was 20.9 megatonnes of CO₂ savings, incidentally less than a tenth of the target under CERT, the predecessor supplier obligation. If you reduce this by 33%, that leaves you with 13.9 megatonnes of CO₂ savings, but then you add in the carry over, which is this interesting new carry over proposition that is in the consultation from CERT and CESP and, if implemented in full, that takes us down to 9.8 megatonnes of carbon savings. Assuming suppliers deliver measures at the same average rate as they have achieved since last August, i.e. a few months into the scheme so we can assume that everything was running smoothly and without issue by then, installations to yesterday will account for 7 megatonnes of the target, taking it down to a remaining 2.8 megatonnes.

If you chuck in the proposed levelisation uplifts, which mean that suppliers who have achieved 35% of what they are supposed to do get an uplift, you are left with 0.7 megatonnes to achieve over the next year. Then DECC's own modelling assumes that suppliers will defer about 2.2 megatonnes of their target until after March 2015 and, hey presto, you have less than nothing left in carbon savings to do under CERO; so a one year hiatus in a two and a quarter year programme. That is pretty catastrophic in carbon saving terms. It is pretty catastrophic in terms of the measures that are going to households that need them and the job implications are dire as well, particularly in the insulation industry.

While I have the floor, without wishing to drown you in yet more statistics, in terms of energy savings, trying to establish any information about anticipated energy savings is, as you noted in your last report, a bit like looking for a needle in a haystack, but there are two documents that give account of DECC's estimates of energy savings from the various energy efficiency policies. The first was the original final impact assessment for the Green Deal in 2012, and the second—and you have to dig deep on the DECC website to find it—is a communication by the department to the European Commission earlier this year on its proposed approach to meeting its Article 7 target under the Energy Efficiency Directive.

The terawatt hour energy savings anticipated in 2020 have dropped overall from 17.08 to 7.5, quite a big drop from 10 to 6.8 from the ECO and the domestic Green Deal. There was a large figure of 7 terawatt hour energy savings from the non-domestic Green Deal that has dropped to 0.7, which suggests that the non-domestic Green Deal has, as a colleague of mine put it yesterday, died somewhere behind the skirting board. We are looking at a situation where estimates are constantly dropping and our ability to deliver at the scale that we need to deliver, if we are to meet our 2050 Climate Change Act targets, is looking seriously in jeopardy.

Jenny Saunders: Just to add to that, one of the elements of ECO, the Affordable Warmth element of course, is not measured by carbon. It is a notional lifetime energy bill saving. Two-thirds of the way through the programme the energy companies had over-achieved on that. I think they are 73% of the way through meeting that. That is a notional lifetime saving of £4.2 billion for customers. The way in which that is calculated is using SAP measurement and that is driving work to be done in larger properties, not necessarily those that are the poorest. Again, these are notional figures and it does not take into account the way in which people behave in the home, how they use that or the household make-up. We do not know whether those savings will be achieved or exceeded.

Q8 Sir Robert Smith: Earlier you mentioned that the Green Deal is not targeted at fuel poverty, but in one sense is it not, by trying to improve the general housing stock—and people can be not in fuel poverty, but fall into it if they lose their job? If the Green Deal was delivering improved background to housing and encouraging greater energy efficiency, is it not helping target fuel poverty?

Jenny Saunders: Certainly. It is future-proofing, isn't it? We would fully support that, particularly in private rented properties where we need to see a massive increase in work done. I think there is something like 1 million households living fuel poverty who potentially might be tempted to take out a Green Deal offering. ECO is going to reach only about 7% of the people in fuel poverty, so there is greater demand than that scheme can support. We do not want to see it necessarily increase massively because it is a regressive measure, so we are going to have to find alternative ways of getting our homes insulated. Green Deal will be one mechanism, potentially, if it does eventually take off.

Sir Robert Smith: If it is used, yes.

Peter Broad: Another way the Green Deal might help fuel poverty is, if Green Deal drives installations by able-to-pay consumers, the Energy Company Obligation can and should be focused on low income consumers. Also, if you have consumers willing to co-finance measures under the Energy Company Obligation, using Green Deal finance or using their own finance, that can then reduce the delivery costs of the Energy Company Obligation, which is, of course, paid for by all consumers on their energy bills and that hits low income consumers hardest.

Q9 Sir Robert Smith: What measures would be the quickest way of driving carbon savings? We have obviously had quite a lot of the easy hits over the years.

Jenny Holland: We still have over 5 million unfilled cavities, over 7 million lofts that need some attention, and about 7 million solid-wall properties that need to be insulated. So there is still a considerable body of work to be undertaken.

Jenny Saunders: There are still a great number of old boilers that have not been replaced, so there could be a £15,000 notional lifetime saving from a very old boiler to a new condensing boiler that is cost effective. We approve of some of those cheaper measures coming back into CERO. I know it is perhaps not what was intended, but by missing out on those cheaper measures, we are walking away from properties where we could make a combined package, a more holistic package of assistance, and reduce energy bills and carbon further. At the minute, the average ECO or Green Deal package consists of just one measure. It was never envisaged that it would be like that. It was envisaged that people would get a full package of measures and that is not happening. They are getting a boiler or a loft. It is just quick in and out and not a holistic package.

Q10 Sir Robert Smith: How could that be put right?

Jenny Holland: You could mandate it. You can mandate packages of measures and it is one of the things that the ECO consultation is posing a question on.

Peter Broad: For instance, with the RHI, if you install a renewable heat boiler, you are required to have installed insulation in that property, and a similar requirement should be put in place for the Energy Company Obligation. I think there are some other ways that savings can be achieved, which might be being missed. One is heating controls that can deliver great savings, but I don't think they are adequately incentivised in Green Deal or ECO. We have seen 35,000 installed under ECO, but that is just a tiny proportion of the number of boilers that have been installed. Our research suggests many of those homes are likely to have inadequate heating controls.

Another issue about how you deliver savings is consumer engagement. We saw that one of the problems with previous schemes, such as CERT, was that a large amount of the delivery costs went on engaging consumers. You had cashback offers alongside measures. I think we need to look at how we engage consumers and how we deliver measures in order to get those carbon savings. An area-based approach allows efficiencies in terms of costs and consumer engagement that can do that.

Jenny Holland: Can I just get back to your original question momentarily? You asked about the best and the most effective way of delivering carbon savings. There is always a tension between delivering maximum carbon savings and delivering on fuel poverty objectives.

Sir Robert Smith: Oh, yes.

Jenny Holland: Obviously the best and cheapest way of getting your carbon savings is going to large able-to-pay properties and sticking in large amounts of insulation, but that is not the way to meet your fuel poverty objectives. In terms of the point about scale of ambition that Jenny made, we have estimated that, even if the whole of the ECO were focused on the fuel-poor, you would still be getting only about a third of the activity that

you need in order to deal properly with the problem of fuel poverty at scale and swiftly. We are talking about programmes that, even if they were functioning optimally, still have a long way to go in terms of delivering the scale of activity both in carbon terms and fuel poverty terms that we need to see as a nation.

Q11 Ian Lavery: Earlier, we touched on the value for money of the Green Deal, but I think we all understand the concept of the Golden Rule. Having said that, do you believe that the Green Deal customers are achieving financial savings in practice because of the Golden Rule?

Jenny Saunders: It is almost impossible to tell.

Peter Broad: Yes, it is very difficult to tell and I think it is important that DECC is clear that the financial savings are not guaranteed. We have seen confusing messaging coming out of DECC quite recently saying, “The Green Deal means you will never pay back more than you are saving on your energy”, and that is just not a guarantee they can make. It is something that we understand that DECC will be monitoring, but we haven’t had sight of when those figures will be coming through.

Jenny Saunders: We have had a mild winter. People haven’t been using the heating systems as much but we have had some energy price rises over that same period, so people will start to see that impacting. It is very complex for people to work out. They may have changed their behaviour as well. They may have left the property for a month. They may have all kinds of different behaviour changes happening or household make-up changes. I do not think you can ever be as clear as you suggest you might want to be about whether the Golden Rule has been met. I think it is an impossible task.

Q12 Ian Lavery: How will we understand whether it has been met or not?

Jenny Saunders: You just have to make some assumptions. It is modelled and—

Ian Lavery: Guesswork, basically.

Jenny Saunders: It is modelled on what you could expect if everything stays the same and if there is a constant there, the degree day and all the rest of it is constant. Whether people understand that is questionable.

Q13 Ian Lavery: With regard to the Green Deal, is it a good-value option for consumers to finance energy efficiency measures or do you believe there are better alternative financial options out there?

Jenny Saunders: The take-up suggests that they have found alternatives to a Green Deal finance package. Certainly they may be able to get assistance from local authority schemes that they are running, or people have savings and they can use that rather than borrow. It is not all about the finance package. I think we have had such a concentration on the financial side of the Green Deal we have forgotten that it is about a range of measures that

people should be encouraged to take-up. We all want to see that, and they just need to have confidence that the installers that are going to be delivering this are high quality and can do the job and it is hassle free. I think that is what we are after.

Peter Broad: I agree. The Green Deal finance is just one way of paying for measures and it might not be suitable for all consumers. It depends on a consumer's individual circumstances. If you can get mortgage finance or if you have savings, that is likely to be a better value option and we would encourage consumers to install energy efficiency measures, however they pay for them. There has been research that shows that Green Deal interest rates are broadly competitive but, as we have discussed, that does not seem to be enough to motivate consumers to act. That is why I think we need to look much more widely at driving consumers to act and not just focus narrowly on Green Deal finance and the interest rates and things like that.

Jenny Holland: One thing I would say is that the estimate of fuel price inflation that is embedded in the Golden Rule calculation runs at 2% at the moment. We have seen fuel price inflation running way beyond that over recent years, at about 7%, and that is likely to continue. It is likely to be the case that, for those relatively few customers who have taken out the Green Deal, their energy efficiency savings will be greater than are stated in the Golden Rule calculation underpinning the Green Deal finance package. There are not many of them. There are 800-odd, which is one of the reasons why it is so difficult to answer, with any degree of satisfaction, the questions about bill savings and value for money that you are posing.

Q14 Ian Lavery: It is interesting what has been said, even in the last five minutes or so, about the Green Deal financing being competitive with perhaps people with mortgages, for example. Research by Capital Economics, which was commissioned by the Green Deal Finance Company, stated: "The Green Deal plans are the cheapest source of unsecured consumer credit for £5,000 loans and remain competitive down to £1,500". Is this something you would agree with? Is this something we should expect from research commissioned by the Green Deal Finance Company?

Jenny Holland: By and large, yes.

Peter Broad: Yes. I think our view is that the Green Deal might offer competitive rates for that specific type of loan. It is an unsecured loan, which means that the rates are higher than, say, for mortgage finance, but it is going to be quite a niche of consumers who want to install measures and do not have access to other forms of finance. They need to be happy with the debt being attached to the property rather than a personal loan. If you are looking at uptake, and going back to the questions on uptake and drop out, you need to look at what specific aspect of the Green Deal loan is putting consumers off and I do not think that DECC's research adequately does that.

Q15 Ian Lavery: How would they make Green Deal finance more appealing? How could DECC become involved in that?

Jenny Holland: A lot of us are saying that the Government should step in to subsidise or guarantee the loan so as to reduce the APR to at least below 4%. That would boost the size of the Golden Rule and reduce overall interest payments and generally provide a much more attractive deal to householders. It has to be the Government because, by and large, the Green Deal Finance Company is offering APRs that are pretty attractive and competitive for, as Peter says, a long-term unsecured loan.

Q16 Ian Lavery: Do you think the Green Deal and ECO are the most effective approaches to encourage energy efficiency improvements?

Jenny Saunders: We have said right from the start that the Green Deal is not something that is going to be attractive to most people on lower incomes. It is not and the Government accepted that. ECO has replaced what we thought were very well-functioning schemes, CERT and CESP, and we had a grant fund, Warm Front. When we have asked our member organisations, local authorities and community organisations their view, while they saw faults in the previous schemes they wanted corrected, I don't think that they see these new schemes as good or effective substitutes.

There is a hankering for what people could articulate as a simple proposition, "If you are in this circumstance, this is what you might expect if you are on a lower income", a guaranteed proposition rather than what we have now—an obligation. We do not know what people have to contribute towards the measures at the minute. The average is an £800 contribution. We cannot communicate that very well through advice networks. We are trying to find out what customers would respond to. Everything points to something that is just a simple proposition that they go to a trusted third party to find out and a community-facing organisation can guide them through the process and to a local delivery route.

Peter Broad: If we are looking at value for money as a whole policy proposition, I do not think the current policy landscape delivers value for money, given the benefits of energy efficiency. It is the only sure long-term way that consumers can bring down their bills and it is the most cost-effective way of reaching our carbon targets, given the economic and health benefits of cutting fuel poverty. In that context, I do not think that cutting back ECO represents good value for money for consumers. The fact that the Government has not pursued low or no cost measures to increase demand, I do not think that delivers value for money for consumers. We need to focus support where it is needed, on fuel poverty. The ECO and the Green Deal incentives have led to the installation of boilers that might have happened anyway, so they have just subsidised boiler replacements. I do not think that has delivered good value for money.

Jenny Saunders: I do not think it is cost-effective to do part of a heating system upgrade either. What we are finding is, with the pressure to drive down costs, the energy companies are now obliging installers to do perhaps a more limited job: not to flush a system; just to put in a boiler; not to put in heating controls; not to replace old radiators. The systems will not be running at optimal for that consumer, so they will not necessarily get the assumed savings that they could otherwise have had and they are not getting these other insulation measures at the same time. They are not getting the whole package. It is not cost-effective to walk away from a household when you are there and you know what

could be done and, because of a calculation that is based on a notional carbon or cost saving, you walk away because you are going to have to come back and do that at some other time. That is also what we are finding.

Peter Broad: Another area where you need to deliver value for money is the quality of assessments and installations. For example, Which? did mystery shopping of assessments earlier in the process. They had a property that was assessed by an expert and then they mystery shopped assessments of that property by Green Deal assessments. That raised a lot of questions about the quality of assessments and I think there needs to be independent technical monitoring by DECC of assessments to ensure that consumers are getting good quality advice and that the measures they install are the best ones for the property and delivering savings.

Q17 Sir Robert Smith: When the Green Deal finance is being offered to someone, is a part of that offer warning them to think about other sources of finance such as their own savings or extending their mortgage?

Jenny Holland: I think that harks back to what I was talking about earlier, whereby a couple of the Green Deal providers—at the behest of the Green Deal Finance Company incidentally—have been, only for a very short time now, offering a range of financing alternatives to customers when they approach them. One would hope that, on the whole, that would give potential customers a much clearer idea of the range of options open to them, and a sense of what makes sense to them in their own individual circumstances.

I have to say, though, and I was going to bring it with me today, I got something through the door the other day from a Green Deal provider who shall be anonymous. It was virtually incomprehensible in terms of the financial offers that were being made. There was a suggestion that you could take out Green Deal finance and it would cost you this and you would have this sort of repayment against this kind of notional cost saving. There was also a suggestion of taking out a bank loan.

At the end of the process I, who am after all steeped in this, had no idea whether any of the things that were being offered to me made sense, either in terms of the repayment mechanism or the degree to which the repayments would or would not exceed the notional energy savings. I was going to throw it in the bin, but I took it to work and had it scanned and circulated it as an example of something that would leave you absolutely cold at the end of the process. I think there is a lot to be done in terms of making the offers much clearer to customers, including, as you say, the potential to perhaps adopt other financing mechanisms should they be more suitable.

Q18 Graham Stringer: Could you send us copies of it?

Jenny Holland: I can. I will do so with great pleasure.

Graham Stringer: We will put it in our report.

Jenny Holland: Yes.

Peter Broad: Regardless of what the requirements are on Green Deal providers around what information they give consumers, there is a question about whether that will be happening on the doorstep. That is why we think DECC's monitoring needs to include mystery shopping of those kind of issues and the sales and marketing practices as they are happening on the doorstep.

Q19 Sir Robert Smith: Monitoring is not at the moment?

Peter Broad: No, I do not believe that that specific aspect would be covered by the monitoring at the moment.

Jenny Holland: There is also a need to do a bit of a review of the training of assessors because what I understand from a few of our Green Deal provider members, and we have five in our membership, is that a lot of assessors are, to varying degrees, equipped to make an assessment of the energy performance of the home. However, they are not trained to then guide the prospective customer into what should be the next stage of the process, i.e. offering the installation of products via a range of financing mechanisms.

Also, as Peter has already said, there is considerable inconsistency in assessments that also needs to be addressed. If you do not have people properly equipped when they go into the household to make a series of offers in an intelligible way to the average householder then that also, by definition, is going to contribute to a lot of householders shaking their head in disbelief and consternation and deciding to spend money on a bathroom or something instead.

Peter Broad: Another issue that comes in when you are talking about other forms of finance is that consumer protections only come into play if consumers use Green Deal finance. For instance, the Green Deal Ombudsman will only deal with cases where consumers have installed measures using Green Deal finance. If you go into a consumer's home with Green Deal branding but then they end up paying for something using another form of finance, they will not be entitled to the same protections. We would recommend that any Green Deal accredited product that is installed is covered by the same protections that consumers with Green Deal finance get.

Q20 Sir Robert Smith: On communication, lack of awareness and understanding, you mentioned various groups such as local authorities and community groups being an important vehicle. What is the best vehicle for trying to widen the understanding of take-up for Green Deal or for energy efficiency?

Jenny Saunders: Green Deal and ECO are different propositions. I think you would have to have a different approach. One is far more commercial and we are trying to get at people who would not respond to those kinds of messages and would put that leaflet straight in the bin. There is a network that DECC is supporting, Big Energy Saving Network. We think that is a very useful network, but it is small and we need to expand that. It is about helping those who have contact with people in communities to understand what the whole landscape looks like. You then might need some specialists to go in and sort out the detail, but at least explain the landscape now because we cannot just assume there is a Warm Front grant and that is it, where we used to have a clear proposition.

We have to look at things differently. You have people who, because of where they live, will not get access to information. Rural areas are badly served. You have to do something different there. You have the psychological engagement: whether or not that is a barrier to people getting messages. Then, is the offer right for them? Do they see it as a decent proposition? I think you have to look at all those and get some clever communications experts thinking about what you are trying to do to pull people in and whether the proposition is good enough for them. We are asking people to contribute their own money to something that they are not sure is going to be delivered well or is going to bring the savings that they are told it will bring. It is about reassurance and not just headline adverts in the newspapers.

Q21 Sir Robert Smith: Citizens Advice said in your submission that DECC had been misleading in the information it had given.

Peter Broad: I think there has been a degree of misinformation, including from DECC, around the Green Deal. Some of DECC's communications have conflated the Green Deal and ECO when obviously those have very different offers. There was the issue I raised earlier where a statement from a DECC spokesman said that consumers would not pay back more in repayments than they would save on their energy bills when there is no way they can guarantee that. A lot of DECC's communications have conflated Green Deal and ECO when those are very different offers and I think that creates scope for mis-selling because a lot of the consumer calls we have seen have had consumers not clear whether they are talking about Green Deal or ECO. They are talking about grants, but referring to it as Green Deal or things of that type.

Q22 Sir Robert Smith: Has that improved at all?

Peter Broad: I do not think we have done a detailed enough analysis to say how that consumer understanding has changed over time and I do not think that DECC's consumer research tells us much about that.

Jenny Holland: In terms of communication more generally, I think many of us in the long run-up to the launch of the Green Deal were calling on the Government to engage in some proper marketing of the Green Deal brand. DECC would always come back to you and say, "This is a commercial offering, so it is up to the commercial organisations involved to do their own marketing", which I think is true as far as specific commercial offers are concerned. However, without the Government clearly and visibly standing behind the Green Deal, buttressing the Green Deal brand and making it clear to customers that it is something that comes with the Government's seal of approval, commercial operators cannot just do it on their own.

One thing I am quite excited by is this new Big Energy Idea, which a consortium of organisations were involved in developing over the last few months, with quite considerable engagement I understand from DECC. The idea behind the Big Energy Idea is that hitherto there hasn't been anything like sufficient engagement with consumers on the general benefits of energy efficiency. It has been spasmodic at best. Although that is work in progress, I think it is something that we ought to keep an eye on because we need

a step change in consumer engagement, in terms of the benefits of energy efficiency, led by the Government under which all the various commercial propositions can then sit quite neatly.

The Government has stepped much too far back, as far as I am concerned, on establishing the Green Deal as a recognised and trusted brand. Last year, we had those adverts, and if you blinked you missed them, in the spring time. As I am concerned, they were too little and too soon because they were done in the spring and the Green Deal finance offerings were not available until May/June time. Even if people had been fantastically motivated by the sight of these adverts, at that stage they would not have been able to go on and do anything to make a Green Deal financing package a reality. As I say, individual commercial operators have to market their own individual offerings, but the Government should be building trust in and recognition of the Green Deal brand.

Jenny Saunders: Also promoting its energy saving advice service because I think if people find their way there, they get very good advice, but it is not widely promoted. That is a route that will help people find out which is the best package and where to go for their ECO service. I do think that needs to be expanded upon and enhanced.

Jenny Holland: In the old days, of course—sorry, Peter—you used to have good old energy advice centres in a whole series of localities up and down the country where people could go. They were often housed in the local authority offices. People could go along to a location with which they were familiar and see energy efficiency advice being proffered by trusted people. That has all gone. I agree with Jenny about the need to promote the energy—what do you call it—ESAS. I had suddenly forgotten what it stands for—the telephone advice line—but in my view that is no substitute for local advice centres because, apart from anything else, you have to already have been motivated to pick up the telephone before you get that advice. You are no longer able to come upon it because you happen to arrive at the council offices and see the advice centre.

Q23 Sir Robert Smith: Your message is that, if you do come across it, it is good advice?

Jenny Holland: Pardon?

Jenny Saunders: Yes.

Sir Robert Smith: If you do phone it, it is good advice at the other end?

Jenny Holland: Yes.

Peter Broad: Although we have requested that DECC share with Citizens Advice the call data that it gets to ESAS so that we can look at what advice consumers have been given to see how consumers are engaging with that service, so far we have been unable to get agreement from DECC to share that data.

If I may just make another point on branding, while there is a consumer-facing accreditation brand for Green Deal, there is no such brand for the Energy Company Obligation. While consumers on the doorstep can identify a Green Deal tradesperson, they cannot identify whether someone is accredited to operate in the Energy Company Obligation. Given that that is the scheme that will target low income and vulnerable

consumers, it is important that there is clear branding, particularly given the cases of doorstep mis-selling that we have seen related to the Green Deal.

Jenny Saunders: Definitely we think customers should know which energy supplier is behind the package of support that they are going to receive. At the minute that is done through brokerage and that does not happen. We think there should be a route back, some warranties given for the work and they should be provided with that information at the time.

Peter Broad: It is often not clear to a consumer who has ECO funding where to go for redress if they have a problem. Often there are quite complex contracting arrangements and things like that.

Q24 Sir Robert Smith: The scheme for central heating in Scotland, because it was being paid for by a third party, the person living in the house was not seen by the installer as the client and, therefore, the quality and the intrusion into the house was often not well managed. Is that a problem with ECO funding?

Peter Broad: It is not something that we have specific evidence on, although that could be because consumers are not as aware of how to complain if they are getting a free product. I think there should be consumer satisfaction surveys as there were under Warm Front. I do not think there are any under the Energy Company Obligation. There also needs to be sufficient monitoring to ensure that those installations are of the necessary quality and deliver the savings for consumers.

Q25 Chair: The Government's figures suggest that customer satisfaction is reasonably good. Do you want to comment on what you think about customer satisfaction?

Jenny Saunders: We know a little bit about it from our own services. NEA has a subsidiary, Warm Zone, so it does provide ECO services. The satisfaction in the surveys I see from that is high, but we do not know across the board. We do not have evidence. Where we might see a lack of satisfaction growing is, after the Green levy review, the companies had to renegotiate to drive down the costs, and so people who were expecting solid-wall insulation at a certain price or other work at a certain price were then asked to contribute and were stunned because they thought they were getting a free or very low-cost service. I think satisfaction levels dropped because the way they were being asked to engage changed, but I do not know enough about the rest of the work.

Peter Broad: In terms of consumer satisfaction, the most worrying issue we have seen is doorstep mis-selling, often with companies misusing the Green Deal brand. That has been the main cause of complaints to the Citizens Advice Consumer Helpline, what was formerly Consumer Direct. Those typically involve cold callers who had taken an upfront fee promising a free boiler and then either do not deliver the assessment or deliver the assessment, but not the measure, typically with consumers losing around £200. That is outside the Green Deal framework as DECC has designed it. These are companies who are not Green Deal accredited for the most part.

There is a limit to what can be done by the Green Deal Oversight and Registration Body as it stands. These are cases for Trading Standards and the response to them will depend on the local Trading Standards service in that area having resource to respond to those cases. I think there might be a case to look at whether Trading Standards have the resource to appropriately deal with those cases. There needs to be tighter restrictions around doorstep selling for Green Deal providers and the points I have made earlier about clear branding and accreditation could definitely help with that.

Jenny Saunders: Customer satisfaction, those who are not able to access the services as well. I said before, there has been a lack of work going on in rural areas. The last figure I saw was, out of 15,000 measures installed, in rural areas it is 215. We are way off track there and I think those communities off the gas network, who have been contributing through all the years into different programmes and have seen very little out of it, should remain dissatisfied because they are still not getting assistance through either the Green Deal or ECO in the way that they should.

Jenny Holland: What I was going to say dovetails with the communication point. I think it is very difficult for the average householder who is not well versed in energy efficiency technicalities to understand their Green Deal assessment report. It gets more complicated because they also have an Energy Performance Certificate, an EPC, at the same time. I think a lot of householders, quite reasonably, are saying, “Why do I get these two reports? What is the difference between them? Why do they give different figures for my energy costs? Why do they give different figures for the savings that I might get from installing energy efficiency measures?” I think there is a real need for the two reports to be restructured and rewritten in such a way as to align much more closely together. The point about actual savings as opposed to typical savings also needs to be clarified for people. As I say, it all harks back to the communication and take-up issues and they are all, to an extent, interwoven.

Q26 Chair: Is there a problem about rogue traders?

Peter Broad: That is the issue that I was referring to there, which is the majority of calls that we have had to the Citizens Advice Consumer Helpline. As I said, I think we need clearer branding, tighter regulations on doorstep selling and co-ordination between DECC and Trading Standards and other organisations operating in the consumer protection landscape.

Jenny Saunders: Yes, certainly I have heard from installer companies where they had expected to be delivering work and somebody had been into the area behind them. It is very difficult then to prove, but I think that some kind of monitoring there is needed.

Could I just make one final point about all this because we are expecting a new fuel poverty strategy to be out for consultation very soon? We want to give confidence. We want to look forward to an ambitious energy efficiency target in that strategy. We know DECC is intending to have an ambitious energy efficiency target, and we have to put right some of the problems within ECO going forward. I do not know that all of the issues are going to be addressed in the consultation that is out on the future of the scheme at the moment. We have to look at some of the links between ECO and Green Deal and we

believe that some of the subsidies that are being offered into Green Deal via ECO are incredibly high. There must be another way of stimulating that market. We want to have ECO targeted at fuel poverty—and we think that is where it should rest—and alternative mechanisms for supporting Green Deal and for stimulating the Green Deal programme.

Chair: Robert, do you want to come in?

Sir Robert Smith: Yes, I want to remind the Committee of a non-financial interest as Honorary Vice President of Energy Action Scotland, a fuel poverty charity. That is relevant.

Q27 Chair: Earlier, in talking about trying to incentivise energy efficiency generally, I think you made a brief reference to stamp duty. Do you think there is a case for trying to perhaps get a kick start on to a completely new level of investment in energy efficiency by offering—I do not know, we have established it is now a big issue, property transactions—substantial rebates for either landlords or owner/occupiers if they are willing to invest within perhaps 12 months of buying a property?

Peter Broad: Yes, I think that is definitely the case. I think that we have seen that the Green Deal incentives have not been very effective. Partly we need incentives that bring energy efficiency on to a consumer's radar, so they build on existing trigger points. When you are moving house is a good time to install energy efficiency measures. If you link incentives to taxation, you can have a bigger behavioural impact than with a simple monetary incentive delivered at other times. If you do it through stamp duty, there is a way you could do variable stamp duty that would be either revenue neutral or close to revenue neutral. That means you would not have to spend public money to keep funding these incentives. I think we do need to look at ways of getting energy efficiency on to a consumer's radar and that would be a good way to do it. There are other ways you could look at, but I think that is one of the clearest and potentially most effective.

Jenny Holland: I do not want to steal the thunder of John Alker from GBC, the Green Building Council, who is going to come in later, but the Green Building Council led a task group for quite a long time—it involved a lot of my life—looking at a variety of potential structural incentives to incentivise energy efficiency retrofit. As a result of the initial analysis of a variety of potential incentives, three frontrunners were established, of which a stamp duty incentive was one and variable rates of Council Tax. I led the working group on that, so I feel like a kind of parent of this idea. That was another, though more complicated, attractive incentive. Then some kind of upfront energy efficiency payment, a bit like a feed-in tariff, for householders installing energy efficiency measures was the last of the front runners.

In terms of ease of applicability and more instantaneous political acceptance, I think there is agreement that a stamp duty incentive is the thing that should be investigated and implemented first. As Peter says, when you are moving house, that is a critical trigger point for making improvements to your household, of whatever kind. It would be relatively straightforward to make a scheme revenue neutral, which would mean hopefully that the Treasury would not come down on it like a tonne of bricks. We estimated at the time that variable rates of stamp duty would deliver between about 135,000 and 270,000 additional retrofits a year, with annual carbon savings of between around 200,000 and 400,000 tonnes of CO₂.

That looks like something that the Government ought to be investigating. Of course, they did announce in December that they would be introducing a new stamp duty incentive with which to buttress Green Deal take-up, but that will not be a stamp duty incentive. By all accounts that will be cashback by another name and it now looks as though it will not just be confined to homebuyers. It will be an extension of the existing cashback. We believe that the Government is missing a trick because, if they were now to go down the route of introducing a proper stamp duty incentive as opposed to one in name only, they would start to get the buy in of solicitors and estate agents who would be talking to customers about the possibility of a stamp duty incentive in such a way that the message about energy efficiency starts to become disseminated through—well, I was going to say “trusted agents”. I am not sure, as still a qualified solicitor, whether solicitors are that trusted. Anyway, I mean more agents than just energy suppliers. That can only help.

The point about a stamp duty incentive also is that over time it embeds energy efficiency in the perceived value of the property, which is not currently the case. People talk about the number of bedrooms and the number of bathrooms, but the energy efficiency of a property is not something that people perceive to be of added value.

Q28 Graham Stringer: Are there any parts of the country where it is difficult to get hold of Green Deal providers? I was going to say in actual fact people who cannot access the Green Deal because there are no people there to provide it.

Peter Broad: I do not have any figures on specific areas, although I know we have had complaints from consumers who have had a Green Deal assessment with the expectation that they could install measures and then have not been able to find a Green Deal provider to install those measures. I think there has been an issue on the Green Deal Oversight and Registration Body website about firms who say they operate within a certain area but don't and I think the Green Deal Oversight and Registration Body are looking at those.

I think there is a big issue about the Energy Company Obligation and whether consumers can access that, particularly low income consumers off the gas grid and in rural areas. The figures from that scheme show that consumers who are off the gas grid are unlikely to get measures. I think that 98% of the Affordable Warmth scheme has gone to consumers who are on the gas grid, whereas, as we know, consumers who are off the gas grid are more likely to suffer from fuel poverty. I think that is a big issue.

Q29 Graham Stringer: You have answered my next question. That is clear about consumers who are off the gas grid. Are there any regions of the country, apart from rural areas, that do not have sufficient providers?

Peter Broad: I do not have the evidence on specific regions, although I believe that DECC has those statistics.

Jenny Saunders: I do not know the specifics, but I do know there are now 130 Green Deal providers, so it has grown. I would have thought that, if they are out there trying to stimulate demand, they will go to those areas where they think it is economic to do so and

where they have done the profiling. They will be cherry-picking those areas that they think are most attractive and usually they will be large urban areas, but I do not have anything more specific than that.

Q30 Graham Stringer: That leads to the next question. We have heard who are not getting ECO. Which groups of people are benefiting disproportionately?

Jenny Saunders: Under ECO?

Graham Stringer: Under both Green Deal and ECO.

Jenny Saunders: In terms of ECO, there is a big driver to go to properties that are larger. That is because, under the HHCRO element of ECO, the notional savings from those larger properties make it more attractive. In simple terms, if you can get so many pence in the pound for that measure, it works out that you are going to get much more to go to those properties. Perhaps those people who can contribute to the work are getting access to ECO as well because, on average, they are being asked to provide about £800 towards the measures. We do not know how many people are either not being approached in the first place because they live in smaller, mid-terrace properties of flats, or how many cannot afford that contribution to the work.

Also, as we have said, there has been very little work carried out in rural areas. It is a shame because we now have the gas network companies incentivised to extend their gas network. We can get the pipes to the door, but we cannot then match up through other schemes and put a heating system in, in a subsidised way, for those poorer communities.

Peter Broad: There are things that can be done through DECC's review of ECO to help with the situation. One would need to bring in a scoring system based on deemed savings so that, rather than being based on a specific carbon score for that property, you can have a table of deemed savings by property type and fuel. That can ensure that it does not disproportionately incentivise installations on larger properties and also that you incentivise installations on properties with more expensive heating systems, such as oil burners. You could also introduce a system of mandated referrals so that if a consumer is identified as being in need by an advice provider, an energy company is required to install the relevant heating and insulation measures, even if they live in a rural area.

Q31 Graham Stringer: How effective is the Affordable Warmth element of ECO in helping less well-off consumers?

Jenny Saunders: In terms of scale, DECC's impact assessment showed that it was only going to be able to assist around 7% of people living in fuel poverty. We have around 13 million eligible households for ECO overall for that HHCRO. We know that the scheme is inadequate to meet the demands, but for those people who are assisted, that is probably the only form of assistance that we have now. We do not have other forms in England. In Scotland and in Wales, they have other programmes that are publicly funded, but what they are principally offered is one measure. That is the way in which the scheme is now

incentivised. They are not getting this holistic package of measures or a good advice service in many cases. In Warm Zones, we are subsidising the work that we do from surpluses we have generated on other contracts. We are subsidising that or we are attracting some additional funds under the Warm Home Discount to help give better advice to those properties as well.

Jenny Holland: I was going to follow up from a point that Jenny made earlier, which is about the brokerage rates under the Affordable Warmth side of ECO, the HHCR0 brokerage rates. It means definitely that fuel-poor households living in smaller properties are being discriminated against because the method of calculating the heating cost reduction is based on the floor area of the property, which means that smaller properties are less likely to produce sufficient savings to fully fund the cost of the work and, as a result, larger properties are the ones favoured by installers.

Also the current ECO rates, as has also been alluded to in passing, make it difficult to find anything other than straightforward boiler replacements. Installers are managing the scheme by cherry-picking the work that they do, discriminating against smaller properties and those that require additional work. As Jenny says, they are charging low income householders significant contributions, around £800 on average, which was definitely not the way in which the Affordable Warmth Obligation was envisaged to operate. It should not be about single measures. It should be about whole house retrofits and you should not be asking customers who cannot afford it to make significant contributions to enable the work to be done. It is not doing what it said on the tin.

I know you asked specifically about the Affordable Warmth side of ECO but, again in terms of the fuel-poor, the changes to the CERO whereby easy-to-treat cavity walls and lofts are now included mean that there will obviously be less focus on solid-wall properties. According to the new definition of “fuel poverty”, 48% of fuel-poor households live in solid-wall properties. Those measures will be done in far fewer numbers and significant numbers of fuel-poor households will miss out.

Q32 Graham Stringer: If I understand you properly, you are saying the latest changes to the ECO system are exacerbating the problem in terms of not getting support to the poorest consumers?

Jenny Holland: Definitely.

Q33 Graham Stringer: You have given us a wealth of statistics this morning but there have been some gaps. You said you are unable to provide statistics in this area and in that area. Do you have any suggestions of how the statistical monitoring of the schemes could be improved?

Jenny Saunders: There are an awful lot of statistics coming out. I think there are more than we had ever anticipated. There is a great deal of transparency around it. DECC is not shying away from sharing a lot of detail. What we do not have yet, though, is a clear picture of how satisfied customers are about the whole thing. That is perhaps what is

missing and that would be an area I would recommend that DECC look at, to try to gather some of that information from the providers of the schemes to give evidence on satisfaction rates.

Chair: Thank you very much indeed. That is a very useful tour around the issues. Thank you for coming in.

Examination of Witnesses

Witnesses: **Richard Lambert**, Chief Executive, National Landlords Association, **Matthew O'Connell**, Policy Officer, British Property Federation, **Councillor Tim Moore**, Environment and Housing Board, Local Government Association, and **John Alker**, Director of Policy and Communications, UK Green Building Council, gave evidence.

Q34 Chair: Welcome and thank you for coming in. In terms of timing, we have about an hour available before colleagues have to disappear to other things. Do not feel obliged in each case to answer every point that is raised by members. Would you like to very briefly introduce yourselves, because some of you are appearing for the first time?

Tim Moore: Councillor Tim Moore. I am appearing on behalf of the Local Government Association. I am a member of the Environment and Housing Board and I am also a City Councillor in Liverpool and Cabinet Member for Transport and Climate Change.

Matthew O'Connell: My name is Matthew O'Connell. I am a Policy Officer at the British Property Federation.

Richard Lambert: Richard Lambert, Chief Executive Officer of the National Landlords Association.

John Alker: John Alker. I am Director of Policy and Communications at the UK Green Building Council. For those of you who do not know us, briefly, we are a charity. We are a campaign organisation campaigning for radical transformation in the sustainability of the built environment and our members span most of the construction, property and infrastructure sector, including a lot of the Green Deal value chain.

Q35 Chair: As with the previous panel, I wonder if I could start with a general point about how satisfactory you think the current levels of take-up for the Green Deal are.

John Alker: Can I chip in first, Chairman? I think it is fair to say that the take-up levels, as Jenny Holland described, particularly recently, are deeply disappointing, but I thought it was probably worth also setting out a slightly more positive viewpoint to put it into context. It is perhaps easy to forget that the Green Deal is a good idea fundamentally. For very many years before the Green Deal was introduced, experts in this area would talk about the key barriers to take-up of energy efficiency. One of the key barriers that was

talked about time and again was the problem of upfront costs. The Green Deal is absolutely coming from the right place. It has the best of intentions in terms of dealing with one of those key barriers. I imagine the Green Deal was always intended to have a relatively slow start and to gear up over time.

To get this balance right there are clearly some fundamental issues that need to be dealt with and I am sure we will come on to discuss those, but the architecture, arguably, is in place and we could still make the Green Deal a success. The Green Deal has probably suffered somewhat from being kicked around as a bit of a political football when, in reality, any Government of any colour or colours is going to require some sort of pay-as-you-save style scheme where a loan is attached to a property and some sort of subsidy scheme, particularly for more expensive measures.

It is likely, in one form or another, whoever is in Government now or in the future, to be part of the policy landscape going forward. I wanted to set out that slightly more positive context, obviously, before we can get into some of the major issues that undoubtedly surround it.

Richard Lambert: If I can come at it from the more limited perspective of the Green Deal in the private rented sector, the take-up has been almost negligible. However, there is a very obvious reason for that and that is that the funding has not been available because of the conflict between the Green Deal and the Consumer Credit Act, which has meant that the lenders have not been prepared to lend until about two weeks ago.

Matthew O'Connell: I echo what Richard has said. The uptake in the PRS has been very poor. We obviously have been open to this sort of funding for energy efficiency and see the need for it, but it has been very frustrating that we have not been able to access this financing.

Tim Moore: Yes. I think local authorities want the Green Deal and ECO to work because it can help us meet many of our overall objectives. It is disappointing that we are where we are in terms of the Green Deal. Some of the complexities around it have proved problematic and certainly, in relation to eco measures where I think councils have significant ambitions to help deliver major schemes, some of the delays and stalling around it have caused major problems. We want to contribute to the review and work to make any changes to help it become more successful because, as I say, councils are keen to help make it work, precisely because it can deliver so many of our objectives on fuel poverty, job skills and growth.

Q36 Chair: Is there any evidence that people are installing energy efficiency measures because they have been alerted to their potential by the Green Deal or maybe even had an assessment, but not using Green Deal finance?

Richard Lambert: We have some anecdotal evidence that people are doing that. We launched our own Green Deal service in February last year. We had to put a hold on it in May when we realised that we were simply building up a backlog of applications but, because of the funding issues, we were not able to take those forward. By that stage we had about 1,100 properties put through the system for application from just under 400

landlords. We know that a number of those have subsequently withdrawn because they are either not prepared to keep waiting until something comes through or, indeed, some of them have said, “We recognise the need to do it and we will do that under our own resources”. Anecdotally, I would say it is still a very small number.

John Alker: I simply think that we should be hearing more about it from those who are responsible for delivering the measures. Therefore, the onus would have to be on Government proving that those measures are taking place, rather than, in effect, proving that they are not. It is a rather perverse situation. Clearly, I agree with Greg Barker and others when they say the important thing is the measures rather than necessarily the finance but, as others have said, we are just not getting that feedback on the ground.

Tim Moore: I think a number of councils are already taking various measures to promote energy efficiency. Scarborough has a mobile road show. Yesterday, at an LGA conference on climate change, we heard how Hampshire is doing a number of proactive energy efficient programmes and Liverpool do the same with the Healthy Homes team. It is clear from a number of authorities and from the LGA survey that many councils believed that ECO and Green Deal could be the cornerstone or the centrepiece of a major rollout of significant energy efficiency measures. 90% of councils are engaged in some way with Green Deal and ECO, but the reality is that, because of some of the challenges, complications and difficulties that councils have in helping make it work, we have not had Green Deal and ECO having that level of impact that we were ambitious that it could achieve. We continue to do everything we can, but the reality is at the moment that Green Deal and ECO are not quite having the level of input and impact that many councils hoped they would.

Q37 Chair: Is there anything else that DECC should be doing to try to improve the take-up?

John Alker: Can I come in again on that? I think there is a huge amount that DECC and Government, more widely, should be doing. If I could first set out some of the high level messaging or narrative that Government should be coming forward with. We and a number of other organisations in this area believe that Government should be prioritising energy efficiency as an infrastructure issue. Why should the energy efficiency of the nation’s homes and, for that matter, other buildings not take as much of a central role as issues like HS2, aviation expansion or new generating capacity? We think that, if Government positioned energy efficiency as an infrastructure priority, that would send an incredibly important message and potentially open up routes to capital spending investment as well. You cannot underestimate the importance of the message that Government sends and, at the recent Budget, it was conspicuous by its absence. Energy efficiency could have been a good news story that was promoted through the Budget, not least the incentives that Government has announced around Green Deal and the so-called stamp duty rebate.

Coming on more specifically to some of the incentives, we believe that, although the incentive that has been announced by DECC is welcome, it does not go far enough. There is a pot of money there to be spent, in effect, on a form of cashback, but we believe very strongly, as Jenny Holland mentioned, that energy efficiency needs to be structurally embedded into the housing market. That means the stamp duty going up as well as down,

so very much nudging people into action based on the energy efficiency of the property. We think that would have a very significant impact.

There are other incentives that might be used. Consequential improvements have been on the agenda for a long time, but have not been brought forward, and we think that would be very important. Minimum energy performance standards or the acronym MEPS, which was brought in as part of the first Energy Bill in this Parliament to phase out the worst performing F&G homes in the private rented sector; again, we think a robust implementation of those regulations is absolutely critical. DECC and, indeed, wider Government could do a number of things to incentivise both Green Deal and energy efficiency more broadly.

Tim Moore: From a local council point of view, there are a couple of key things that could be done. The customer journey could be simplified. Our survey showed that seven out of 10 respondents felt that it was too complex for customers. I also think local authorities have a strong role in being able to co-ordinate and promote both Green Deal and ECO. We are largely trusted in our communities and giving authorities the freedom and powers to commission and to target Green Deal measures could very much help the situation. As I said earlier, 90% of councils are engaged in this. We would like to make more of an impact, but we need equal access to ECO in order to make the transformational change that I think all of us want.

Matthew O'Connell: John briefly mentioned the cashback incentives available under the Green Deal that are scheduled to end in June this year. We would say that, given that the PRS has had such a limited access to the Green Deal so far, we do not think the deadline should happen. We think that that pot of money should be available for anybody who wants to carry out Green Deal plans, regardless of the deadline.

Richard Lambert: I think the private rented sector already has an incentive in that we know that there is a regulatory imperative coming over the horizon and landlords increasingly understand the consequence and the nature of that. What needs to be done is to find ways to encourage them to undertake the work that is necessary. Part of that is making the finance available. Another part of that is making the customer journey as simple as possible, as Tim said.

One of the things we have found in our experience of working with landlords is that the complexity of the process puts people off and people drop out because it reaches the point where the hassle factor is too great to make it worth continuing. You need some kind of certainty of what the funding is going to be, and the funding landscape has shifted almost every quarter since Green Deal was launched last year. The savings need to be clear and also the numbers need to stack up. One of the things we are increasingly concerned about is that, the way Green Deal and the way that ECO have been changed over the past few months, it is now increasingly looking like the amount the landlord will have to contribute to any property upgrade is growing. If the landlord thinks it is too much to put together or that the amount they will have to contribute does not generate the saving that is worthwhile, they simply will not proceed.

Q38 Ian Lavery: Is the Golden Rule working in practice? Are people saving money, with regards to Green Deal financing?

Richard Lambert: In the private rented sector, as yet we cannot tell because there have simply not been the installations to enable us to have the evidence to say yes or no. Certainly, theoretically, it should do and there is certainly the potential for it to do so, but until we see the installations coming through in practice it is impossible to know.

Q39 Ian Lavery: Is that your experience?

John Alker: I would say that the Green Deal should represent good value for most householders. You spoke a little bit about the interest rates—

Q40 Ian Lavery: I am not asking whether it represents good value. I am basically asking if customers are achieving financial savings because of the Golden Rule.

John Alker: It is based on standard occupancy rates, in effect to protect future householders. As Jenny Holland said in the earlier session, it is based on very conservative estimates of energy prices going forward. It will depend, of course, on the level of so-called comfort taking that the household takes, but we believe that, with energy prices averaging something like 7% inflation in recent years, then certainly going forward customers will see real savings on their bills.

Richard Lambert: Certainly, I agree. Our installation partners are saying quite clearly that across their business, where they are doing installation work and improving the energy efficiency of properties, customers are certainly seeing savings and benefits as a result of that.

Tim Moore: We have not had any detailed modelling on that yet, partly because there is a relatively low take-up of it. So it is hard for us to make a judgment. What we can say is, our survey did not show any particular problems at this stage but, again, I stress it has been relatively low take-up. Where I do think local authorities could have a role is, if and as the Green Deal increases, as a kind of co-ordinating body. We already have a trading standards function. We already have close links with consumer protection and certainly local authorities would stand ready to deal with any of those issues should they become a problem, but I would say at the moment we do not have any evidence that they are.

Q41 Ian Lavery: Looking at the Green Deal, is it a good-value option for consumers to finance energy efficiency measures? I have just been looking at some figures. To borrow £1,500 over a 10 year period, the APR is 10.3%. For £2,500 over the same period it is 9.1% and to borrow £5,000 over the 10-year period, 8.2%. Is this good value for money?

Richard Lambert: I reiterate the figures that were quoted earlier. It is probably the best rate you can get for an unsecured personal loan over that kind of period of repayment. If you compare it with a secured loan or a mortgage extension, you will get better rates, but it is on better terms. You have to very much compare like with like.

John Alker: I would echo that. I think that it compares relatively well with equivalent financial products. It is important, though, to recognise that it will depend very much on the individual householder's circumstances and they may well be able to secure more attractive finance, but it will depend on their circumstance. They may be able to extend their mortgage. Obviously, they may have savings and so on.

The Green Deal finance product is not going to be appropriate for everybody and I do not believe it was necessarily intended to be. On the interest rate, although it is often raised as a concern and we can all understand that because of the headline rates, I would say the bigger issue, without wanting to repeat myself, is boosting demand. If there was that appetite for energy efficiency in the first place then, for some people, the finance product would be appropriate, but the key point is whether that appetite is there in the first place and clearly, at the moment, unfortunately it does not look to be there.

Q42 Ian Lavery: I am wondering whether I am putting it right. Does this mean that those who are least able to afford it will have to pay more?

Richard Lambert: The Green Deal loan and the Golden Rule mean that the tenant of a rented property would be repaying the loan through the bill, but the bill would be no more than they were paying previously because of the way the Green Deal is structured. The cost of the energy would go down. The Green Deal repayment would be paid in the—

Ian Lavery: In terms of the interest rate?

Richard Lambert: In terms of the interest rate? No. If they went out and obtained an unsecured personal loan, no, they would be paying no more than they would do—

Q43 Ian Lavery: For people who have very little money, it would be very difficult to get a secured loan.

Richard Lambert: Indeed. So it is an—

Ian Lavery: They would have to take an unsecured loan at higher interest rates. I am wondering whether you can clarify whether my mind is ticking over correctly. What that would point to me is that, if those people who cannot get a secured loan because of their personal circumstances want to proceed with Green Deal financing, they would have to pay the 10% or the 11% as opposed to the opportunity that you mentioned before. They would have to have a mortgage or some alternative financing.

Richard Lambert: Effectively, that is what they would be paying. Again, coming back to the specifics of the rented sector, it is the landlord who initially takes out or agrees to the Green Deal loan. In effect, the landlord is making that arrangement. The tenant is simply making the repayments, but the financing is partly secured on the landlord's ability to repay. It is partly secured on the tenant's ability to repay through the savings that are generated from the works installed. To pick up your point of, "If somebody can only

obtain an unsecured personal loan, is this the best rate they could possibly get”, I think the answer is yes.

Tim Moore: I think the issue you raise shows why it is important that there is a clearer, simpler relationship between Green Deal and ECO. The LGA thinks there are a number of things that could be done to ECO that could help us target, more effectively, some of those areas where there are significant issues of fuel poverty that are perhaps more deprived. Certainly, at the moment, the Affordable Warmth element is not available to social housing and we think that, if that was made available to social housing, there is certainly the possibility of allowing significant benefits on a large scale to some of those communities that would benefit the most.

That is not to say that it is a one-size-fits-all issue. It is to say that expanding that and improving the clearer relationship between people eligible for Green Deal and various elements of ECO would help local authorities better target those most in need of energy efficiency measures and, therefore, the types of people who you mentioned who are most in need of measures to tackle fuel poverty.

Q44 Ian Lavery: Is the Green Deal financing appealing or do you believe that DECC could make it more appealing? If you think they could, how would they achieve that?

Matthew O'Connell: I think, certainly for our members who tend to be larger institutional investors in the PRS, there are cheaper sources of funding available for them and I certainly think that, for them to do large scale retrofit, the Green Deal is rather bureaucratic and it is easier for them to do it themselves as part of their normal future-proofing of their assets.

Richard Lambert: The great advantage of the Green Deal is that it overcomes the split incentive, which has existed in the private rented sector historically, that the landlord cannot get the return on the investment or even cover the cost of doing energy efficiency upgrades. Previously, you could not increase the rent. It would not add to the value of the property. Therefore, that has been an obstacle to the landlord doing energy efficiency improvements in the past. The Green Deal overcomes that because the person who gets direct benefit, the tenant who is warmer, pays that loan back through the Green Deal and the Golden Rule.

However, the problem with the Green Deal is that in most private rented properties it will not cover all the measures that are needed for a whole house retrofit. That was the advantage of having Green Deal and ECO as a package and if they worked, you would get significant benefit and you would get a lot more whole-house retrofits coming forward.

The problem is that we have not had the Green Deal financing. It has not been possible to make it work as a solely ECO proposition and we are now becoming increasingly concerned that, whatever emerges from the changes to ECO and new incentives, the landlord will be expected to pay more than they might have expected a year ago when they were looking at this and they will not be prepared to take that forward.

John Alker: If I could just come in on that as well, because I think it is a key issue and the Green Building Council has done some work in this area. Government could, if it wanted

to, take a number of steps to make the overall finance more attractive. That falls into two main brackets: first, policy steps that could be taken and, secondly, direct financial steps that could be taken.

On the finance side, some form of subsidy or Government guarantee underwriting the loans would be required, which would probably reduce the rate. We estimated, though, that for every £1 billion of Green Deal loans it would cost Government something around £300 million in either direct subsidy or increased debt to reduce the headline rate to around 4% or 5%. I can send the detail of that. Although that seems like, potentially, quite a significant investment from Government, of course, it would stimulate significant economic activity and provide additional tax receipts.

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

Q45 Sir Robert Smith: What impact has the Green Deal and ECO had on jobs in the supply chain?

Richard Lambert: About two and a half years ago, I was working for a construction products trade association and almost the entire construction products sector at that stage was gearing up in the expectation that the Green Deal would be introduced at the end of 2012 and that from 2013 there would be a significant amount of work coming forward. That has not happened and what you are now finding is, through the whole supply chain—this is confirmed again by our partners—that the people who had initially invested are now thinking that that investment was not worthwhile. They are looking to write it off and to look elsewhere for work because they are no longer confident of the work coming through. Without the sustainability and certainty of Green Deal work and ECO work being there, the jobs that were created will disappear and the long-term impact on the supply chain will be quite considerable.

John Alker: It is a very worrying situation. The transition to Green Deal and ECO in the first place, from the old CERT and CESP scheme, was estimated to have cost 7,000 jobs in the first half of 2013. Towards the end of last year, activity was picking up and starting to recover under ECO. Then there was the so-called review of green levies and, at that point, many contracts between the energy companies and social housing providers, in particular, were delayed or just outright cancelled. According to Government's own calculations, the recent changes or cuts to ECO will cost 14,000 jobs and cut £900 million from the programme. That is going to have a very real impact. The solid-wall insulation sector in particular has been very badly hit. That is often not large companies that might be able to absorb changes and redirect investment, but the supply chain and SMEs that were in place and gearing up to deliver those contracts.

Q46 Sir Robert Smith: Is it ECO more than Green Deal?

Tim Moore: From a council point of view, to a large extent, yes, because councils were rightly ambitious about the potential for ECO to drive not just reductions in carbon emissions but the jobs and skills agenda. It is ECO that has seen a number of changes, stalls and delays in my own authority. There was a major project with our biggest social housing provider that is currently at risk because of the delays. A big theme coming out of our survey with councils was that the supply chain was gearing up and that has now stalled.

I would imagine that, in our response to the review of ECO, we will have even more definitive examples of how councils are finding difficulties. The point that was made about the external wall insulation concerns is particularly concerning to the core cities because that was the key area where there was going to be significant opportunity and development. Obviously core cities tend to have the type of housing that was likely to benefit from this and the effective minimum cap that is reported to be being placed on that is creating issues with confidence.

Richard Lambert: Can I just pick up on your question: Green Deal or ECO? With delivery of the measures it is difficult to separate the two because if you are looking at a property you are looking at all the measures you need for the retrofit project. How it is funded then feeds back through the system but, in terms of delivery of the measures, it is almost irrelevant how you spit it out. What you want to do is try to do the whole-house mechanism. That is what people are looking at.

John Alker: I would also agree with the point made earlier that the changes to ECO have very much undermined the Green Deal. We do have this perverse situation, of course, where the transition to Green Deal and ECO was supposed to move to a situation of the able-to-pay paying or using Green Deal finance for the cheaper measures and for the subsidies to start applying to the more expensive measures. Of course, now the most expensive measures, the delivery of solid-wall insulation, has in effect dropped off the cliff and we have the reinsertion of the cheaper measures, which you could also argue are not particularly good value for customers given that those are now being in effect offered at reduced rates. It is a very perverse situation that is having significant impact, undermining the Green Deal.

Tim Moore: That is an important point because councils were hoping that ECO, working with registered providers, was going to be the cornerstone of large approaches to this in areas and then for those properties where there were perhaps no registered providers we could have done a whole-area approach, “Green Deal for you, this element of ECO for this area and this element of ECO for the other”, and helped coordinate it. Because those ECO projects did not get off the ground, it has not given that very natural incentive for houses in those areas to work with councils and registered providers to see what is available for them and say, “Yes, I will sign up for a Green Deal here”.

Q47 Sir Robert Smith: Is there anything the Government can do to recover or stabilise the situation from that?

John Alker: We would argue that, however unlikely it may seem at this point, Government should look again at increasing the number of solid walls to be delivered through ECO. The Committee on Climate Change suggested that something in excess of 2 million—I believe but I will follow up with the exact number—solid walls need to be done over the years to be getting anywhere near the 2020 carbon targets. As was mentioned earlier, the proportion of fuel-poor living in solid-wall properties is very significant. At the moment, in terms of cost of delivery, solid wall does need that subsidy to make it cost effective.

Richard Lambert: Absolutely. Looking at the applications we have had that have come through to full assessment in a draft plan, 60% of those have some element of solid wall in them. Solid wall, depending on the size of the property, is between £8,000 and £14,000, so it is not going to be covered by Green Deal. If it is not going to be covered by ECO or whatever other incentive subsidy is available, and we are still not sure what that is, then it is requiring the landlords to put in quite a substantial amount of money and it could be the difference between the landlord taking up the offer and not.

Matthew O'Connell: Just on those solid-wall stats, up to November 2013 there had been 22,313 measures installed under ECO for solid wall and, as John said, the target is 2 million, so we are some way off.

John Alker: Yes. Thanks for clarifying that. According to the Committee on Climate Change, the target is that 2.3 million properties will need to have solid-wall installed by 2022. That works out at just under 150,000 a year.

Tim Moore: There is one significant thing that would help councils take the lead in this. It is a fragmented landscape at the moment. Councils want to play a role in bringing all that together and taking a whole-place approach to it but at the moment, to some extent, we have one hand tied behind our back because we do not have the same level of access to ECO as other Green Deal providers. Allowing councils the ability to work with partners in deciding what is best for an area and helping coordinate the approaches would very much help us deliver our ambitions as local authorities.

Q48 Sir Robert Smith: Given that ECO impacts on costs and the debate about fuel bills, do you have any thoughts about how making that change would impact?

Richard Lambert: One of our concerns is whether the savings are being realised and the concern that was raised in the previous evidence session about the gap between the potential savings being identified under the EPC and the potential savings being identified under the occupancy assessment. We do not think the occupancy assessment is throwing up an accurate figure in that our partners estimate that when you insulate a house, if that property is paying £2,500 to £3,000 a year as an energy bill, which should save them £250 to £300 a year on that bill. However, the occupancy assessments are throwing up figures closer to £100 to £150, which then has a significant impact on whether the savings are worthwhile for the occupant and whether, given the contribution the landlord would have to make, it is worthwhile for the landlord going forward. I can give you more detailed examples if that would be helpful.

Sir Robert Smith: If you could send them that would be helpful.

Richard Lambert: Yes.

Q49 Ian Lavery: Are there equal opportunities for people across the country to access the Green Deal and the ECO; rural communities and vulnerable people, for example? Is it fair across the board?

Tim Moore: Different councils, rightly, are doing different things in different areas to identify where the challenges are. In the submission that the LGA gave to the Committee we highlighted how Cheshire West and Chester are focusing on older people; Lambeth on single households; and our own Healthy Homes team in Liverpool goes out and targets some of the most vulnerable households. I do think it is important to note that some of the changes likely to be coming through because of the review around the external wall insulation are likely to mean that the ambitions that were had for areas with significant levels of largely terraced housing are not likely to be realised as things stand. Clearly, that is an issue that is likely to affect core cities more than other areas.

Richard Lambert: In terms of the rented sector, we do not believe there is any difference in any particular area around the country as to how landlords can access the Green Deal. It is equally frustrating all around. I believe that the Scottish and Welsh Governments have put extra funding into subsidy, but I do not think it is more difficult across the UK.

One of the things I would pick up on is our understanding that a Green Deal finance loan would be credit checked and something like 13%¹ of all people will not be able to pass a Green-Deal-loan credit check. Our expectation was always that, at that point, the Affordable Warmth element would cover that installation. Because we have not been able to take private rented sector projects through to that point, we still do not know whether that will come through in reality.

Just picking up on the point Tim was making earlier about councils taking an area-based approach and often going to the householder, one of the things we have discovered is that you need to talk very differently to landlords and to tenants because they each need to understand different things and need different messages. You need to realise that in the private rented sector it is the landlord who will take the decision, not necessarily the tenant. Often what we have found with doorstep selling is that the tenant has contacted the landlord, saying, "I have somebody on the doorstep who is saying I can have a boiler. It doesn't cost you anything. Where's the problem?" without understanding the potential implication that may have if the boiler was installed for getting additional measures, because most of the carbon may have been saved. That differentiation in messaging is important and has not been grasped.

Q50 Ian Lavery: In the private rented sector, do you think there is sufficient access to the Green Deal?

¹ Please see the Supplementary written evidence submitted by the National Landlords Association ([GRE0061](#))

Richard Lambert: There is not because of the funding issue that has been there for the past year. We have no reason to believe that, now the funding issue in terms of the Consumer Credit Act has been overcome, there will not be equal access around the country, but it still depends on the additional subsidy that can be obtained either via ECO or via the incentive—we understand that you can have one or the other, but not both—and then the landlord's ability to make up whatever is the shortfall on that. One of the things we are concerned about is that the figures we have been getting through in the past couple of weeks as we have started to work those plans through show that the landlords' contribution is increasing way beyond what we expected it might be. I am told that the average we are looking at, at the moment, is a contribution of £4,500 per property, which potentially is prohibitive.

Q51 Ian Lavery: Councillor Moore, the social housing sector is excluded from two of the three ECO measures. Do you recognise that as a problem?

Tim Moore: Certainly it means that ECO is not as effective as we believe it could be and is not able to reach the scale that we believe it could. By opening up Affordable Warmth to the social housing sector there could be a major impact on tackling some of the issues in meeting the objectives many councils hold, but the key thing for local authorities is to be given access to the ECO brokerage so that we can direct it as best suited to the local area, which, as has been mentioned earlier, is not necessarily the same in every area. We think that the local council is very well placed to identify how best to target, focus and commission those works, of course working in partnership with the private rented sector, registered providers and any other stakeholders that could help us target it appropriately.

Q52 Ian Lavery: Finally, are there enough Green Deal providers across the country to make sure that there is proper access to the Green Deal?

John Alker: The number has been going up. Although the number might be around 130, the number that can provide finance is around 45, I believe. The market is clearly gearing up. If you listen to providers speak, there is still a high degree of maybe hope rather than confidence that Government is going to follow up words with action and ensure there is a market there, because they are employing people. They are gearing up their supply chains. They are very much ready to deliver.

Q53 Sir Robert Smith: In the rural areas not on the gas grid, where people are having to pay more for their energy, obviously an efficient boiler would have even more impact. Is there anything we can do to the ECO that would make the providers of ECO tackle off-gas-grid boilers as well as they are those on the gas grid?

Tim Moore: Give local authorities the freedom and flexibility to help target the funding and the measures at what is needed most for their area. In those local authorities that are representing the types of communities you mention we believe that is the kind of approach

they are likely to take, but at the moment, because they do not have equal access to ECO brokerage, they are not able to do that with quite the impact they would like.

Q54 Albert Owen: To follow on from that, much of the feedback I have received from people making application for the Green Deal is they end up just doing the boiler anyway. Is there perhaps a case for having a shorter version of Green Deal that might just do a more economical and efficient boiler to help people in those areas going through the whole process, because that is where they are ending up? That is the first point.

The second point is for Mr Lambert. You mentioned that the Welsh and Scottish Governments are giving more money in subsidies. How is this getting to households? Is it via local authorities directly or is it companies energised or is it individuals making applications?

Richard Lambert: I do not have the full details on that. I can find that out.

Tim Moore: We would want to speak to our members about any specific suggestions, but I would go back to the broader point of anything that allows local authorities to target the key issues that they think are relevant in their area is something that we, as the LGA, would very much welcome.

Richard Lambert: In the private rented sector, I would stress whole-property retrofits is the key issue. If you are going to do it, you do it once and do the whole property. That gets you the most carbon savings. It also minimises the disruption, whether that is to the tenant if there is a tenant in situ or to the landlord's overall businesses if they choose to do it in a void period. I think it is better to do it in one full hit rather than eke it out over a period of time.

John Alker: I think that is where it is important that the householder also has a sense of what "good" looks like both now and going forward. On the private rented side, looking at minimum energy performance standards, we might be talking about phasing out F&G buildings now. How will that regulation change over time if energy efficiency was linked to stamp duty? What do the linkages look like now or what does that look like over time? When you have just moved into a property and you might think you are going to be there for seven, 10, 12 years, what does the plan look like for that property? As Richard says, you can do the most relevant measures at the most appropriate points.

Q55 Graham Stringer: What concerns do you have about the public's awareness of the Green Deal?

Richard Lambert: I think the general public awareness of the Green Deal is very low. We have done a lot of work to raise landlords' awareness. I quoted in our written evidence that when we were surveying landlords asking them whether they were going to take up the Green Deal, we were getting an 83% response saying they were aware of the Green Deal and what it was. I think there needs to be a huge amount more communication to landlords and to tenants and indeed to the wider public to make them aware of the Green Deal, the importance of energy efficiency and what can be done to improve properties. In the private rented sector, what we need more than anything else to do that is case studies of how the funding, projects and installations have worked. At the moment we do not have that.

Matthew O'Connell: I would say what the industry and private rented sector needs is certainty on the minimum energy performance standards, because that will be a driver for energy efficiency. There are landlords who will not know about the Green Deal but will understand the fact that they will have to operate their properties by 2018 and if we can get that report out and the regulations understood, that will bring a lot of certainty to the industry.

John Alker: Again, to mention incentives, if Government had a very high-profile policy incentive to drive demand then, of course, that, by its very nature, increases awareness as well. For example, if you compare the promotion of something like Help to Buy with the Green Deal, Help to Buy has been tremendously successful in terms of take-up and has been very high profile as well.

On the positive side, although again for slightly perverse reasons, the controversy around the review of green levies led to a discussion of the role of green levies and, for the first time that I can remember, energy efficiency was the first item on the 10 o'clock news. Solid-wall insulation was being talked about in mainstream media for pretty much the first time and, of course, as energy bills rise that is surely going to begin to have an impact as people want to understand how they deal with that.

I also endorse Jenny Holland's remarks about a new campaign to increase energy literacy among the general public. I believe it is being called *A new conversation about energy* and that was trailed at the recent Ecobuild conference by Sir Ian Cheshire, the CEO of Kingfisher. This will involve a number of different consumer brands to attempt to create that common language about energy efficiency. I would very much hope that Government is able to endorse that and, ideally, also provide some financial backing for that.

Richard Lambert: We need Ministers to go out and champion this. It does feel like Ministers have hidden away from the Green Deal since it was launched and they have not got out and pushed it, which has made it harder for us, as organisations promoting Green Deal, ECO and energy efficiency to our members, to go out and give it that same impetus. It is much easier if you are following on the back of the words of a Government Minister.

Can I add one note of caution to the minimum standards? Even if there is a regulatory imperative, if the economics do not stack up, then landlords, as businesses, will not do the works and you could end up creating the perverse consequence that, rather than assuming that setting minimum standards will get the properties upgraded, landlords may simply withdraw them from the market and leave them empty because they cannot afford to upgrade them. They may have difficulty selling them and they cannot put tenants into them because they are outside the regulatory regime. I think it is very important to be aware that there is the potential for perverse consequences if we cannot get the economics to stack up.

Tim Moore: In our survey of councils, one of the key findings was that there was relatively low public awareness of the Green Deal. That does not mean councils are not doing what they can to raise that awareness, and a number of projects are going on that we have highlighted in our submission. Councils want the Green Deal and ECO to work because it hits many of our objectives. That said, councils are facing a myriad resource and finance challenges at the moment and of course, it is never easy to find dedicated

resource in the current climate to do things at the level every council would like to in an ideal world.

With my knowledge of working in neighbourhoods and in my ward, what I would say is that nothing raises awareness of an issue like seeing it happen on your doorstep, in your community and in your neighbourhood. Had ECO started to roll out at the size and scale that many of us hoped and planned it would do 12 or 18 months ago, that would have created a significant amount of public awareness and knowledge because people would have seen major retrofit schemes going on in their areas and asked, “What’s this? How can I find out more? Can I be involved in that?” I think that, in addition to the targeted work that councils are doing, one of the best things to do to raise awareness of Green Deal would be to start getting an effective large-scale ECO programme in place in communities.

Q56 Graham Stringer: I think Mr Lambert said that Ministers have gone AWOL. What has DECC’s performance been like overall and are there any other bodies that are in a good position to raise awareness of the Green Deal?

Richard Lambert: In terms of promotion, I would say DECC have done very little, but I think that is part of the overall situation in Government at the moment where there is very little financing available for publicity and communications campaigns. They have done what they can. They did some initial bursts around the launches, but there has not been that consistent promotion. I think they are relying very much on organisations like our own and the energy efficiency lobby to get the information out there. They rely very much on local authorities. We can do what we can and we are happy to do what we can, but I think it does need that push from central Government and Ministers because, in the end, Ministers find it much easier to get coverage in national newspapers and high profile magazines than we do, with the best will world and all due respect to my colleagues in the PR department.

John Alker: I think it is the role of Government to help build trust in the Green Deal and in the Green Deal as a kite-mark. I do not think historically Government has been fantastic at marketing and, arguably, is not particularly a trusted source of information for consumers or they are not necessarily going to be influenced by what Ministers say, but I think they can build trust.

The energy efficiency industry has to take a bit of responsibility, historically. It has not been an industry that is fantastic at selling the benefits of its own products and services. I think there is a lot to be learned there. I would absolutely endorse the comments that Tim made about the role of local authorities and the local authorities working in partnership with providers and other community groups. You cannot beat that word of mouth and on-the-ground experience, which again is why it is so disappointing that a number of street-by-street and area-based approaches have been revised, scrapped or put on hold, I believe around 49 at the latest count, because of the changes to ECO.

Tim Moore: We hesitate to comment on whether Government per se is trusted. What we can categorically say is that surveys show that local government is trusted by people about the provision of services locally. 79% trust their local council to deliver those services

and, as I say, we stand ready and willing to help make Green Deal and ECO work. What we need are the powers, the flexibility and, of course, the resources to help make that happen because we are facing many challenges elsewhere in our organisations. One of the things that have been reported back from our councils is that they do not have the resources to offer the particular expertise. I think we would all agree that the complexity of Green Deal and ECO requires a significant level of expertise and councils do not necessarily have that resource available to them at the present time.

Q57 Graham Stringer: Has the cashback incentive raised awareness? Has it been effective in increasing the take-up of Green Deal?

Tim Moore: We can go back and look at our survey and see whether there is anything we could pull out on that for you. I am not aware that we have specifics. What I can say on the Green Deal assessment is that our councils tell us it might help improve Green Deal if it gave more information about the various options available.

John Alker: Most cashback vouchers have been used for boilers and there is a strong case for saying that those boilers would have been bought anyway and that has not incentivised Green Deal finance. On the current incentive, we are still awaiting detail on it from DECC. Again to remark on the budget, the Chancellor was under a lot of pressure before the budget, particularly in London, to do something on stamp duty because, with the housing market on the up, receipts were also on the up. It seemed like a golden opportunity to say that, although he was not making any major changes to stamp duty, there was this new Government incentive coming in whereby new home buyers could get up to £4,000 off their stamp duty or at least cashback if they took energy efficient measures out. I think that was a significant missed opportunity.

Richard Lambert: Looking at the applications we have had from landlords for our Green Deal service, I do not think cashback was a significant driver for anybody applying. It may have added to their impetus to get in early, but I think the decision was much more around upgrading the property and what they could do once they could access the finance.

Matthew O'Connell: Moving on beyond the Green Deal in terms of incentivising energy efficiency, one avenue available to landlords is something called the Landlord's Energy Saving Allowance, which is scheduled to run out in May 2015 and offers landlords £1,500 off their tax per property for energy efficiency measures. As we have heard, doubling up these measures and using them as a package is often the best way to do it. If the cost of the measures is £5,000, we think that the Landlord's Energy Saving Allowance should be extended and maybe the Government should look into putting that source of funding up slightly.

Q58 Sir Robert Smith: If it was increased, would that allowance tackle that rural solid-wall challenge?

Matthew O'Connell: Yes. You could target it at the lower-rated properties. You could have it on a means test. It could depend on an EPC or geographical location, but I suppose

the most pressing issue would be getting it through the Treasury if you were going to offer a greater allowance of cash for landlords.

John Alker: I think there is a certain irony that, on the incentives, DECC has managed to secure a fairly significant sum of money from the Treasury for cashback, but if you gave me the option I would say Treasury could probably keep that money and make a stamp duty scheme fiscally neutral. I think that would have a greater impact by both nudging up as well as down, as I have said, but there is a real reluctance in Treasury to fundamentally—although I do not believe it would be all that fundamental—alter stamp duty in that way. In effect, by providing that money to DECC, I think there is a real danger that Treasury believe that their job is done and I do not think it is.

Richard Lambert: As John says, the difficulty we have is that we do not know what the incentives are going to be going forward. All the indications coming to us from DECC is that the incentives that were announced by the Chancellor in the autumn statement, will exclude ECO; so you can either have ECO funding or you can have some funding from the incentives, but you cannot have both. The Chancellor also specifically referred to £30 million a year as part of that as an incentive for private landlords. As yet, we do not know what form that takes. I would like to see it take some form of further subsidy to landlords to reduce their contribution.

I would also like some degree of incentive for tenants to overcome their concerns and to compensate them for the disruption they may have to deal with during installations if they are in situ, but at this stage we are still waiting to hear from DECC and the Treasury as to what form those incentives might take. Again, that adds a degree of uncertainty and the big problem we have is the uncertainty of the landscape and how the financing is changing almost month by month. If we could have one thing from DECC and Government it would be to take the decisions, fix the position and stick with it.

Q59 Sir Robert Smith: What is your understanding of the customer satisfaction with the Green Deal?

Richard Lambert: In terms of people applying to our service for the Green Deal, very low because most of them have been waiting a year for anything at all to happen and, so far, nothing. In terms of their tenants, equally they are very unhappy because the landlord has had to speak to the tenant to get the assessment done, because the tenant has to give their consent. Where they have managed to get the tenant's consent, the tenant is now saying, "What is happening? We had the assessment a year ago. Why hasn't it moved forward?" The landlord is put in a very difficult position. We have a lot of unhappy clients, although I am rather grateful for their patience coming to our service.

John Alker: Broader than the private rented sector, we are dealing in guesswork a little bit. I think we need to wait and see. I suppose you could argue that we have not seen any sort of nightmare cases come forward that have hit the headlines, scams and so on. You could argue that there would always be some sorts of teething issues when any new scheme like this comes in. In that respect, you could argue that the fact that it started slowly is a positive in that we can learn from that and make improvements as we go along.

Q60 Sir Robert Smith: Which?'s mystery shopping raised concerns about technical mistakes. Is that something you recognise?

John Alker: With certain technologies, improvements still need to be made. Investment still needs to be made in researching solid-wall insulation, for example. We are going to learn as we go along and it is important to get the balance right between protecting consumers and protecting the household in these early phases and then investing and improving the technology and the services as we go forward. Getting that balance right is a challenge.

Tim Moore: As yet, as was said, we have not seen any major issues. What we would say as local government is that that illustrates why we think a stronger role for local government would be welcome, because we have those elements of our organisations that already dealing in Trading Standards. Not only could we deal with those issues as and when they arise, ideally we are well placed to help try to avoid them in the first place by working alongside colleagues with a strong role in that; again, with the caveat that our Trading Standards colleagues already have a number of other key challenges to undertake.

Q61 Sir Robert Smith: Citizens Advice talks about some reports of scams from rogue traders. Is that something you recognise through Trading Standards or is it too early?

Tim Moore: We do not have any significant evidence yet of major scandals, as has been mentioned. We do have people coming to the local authority, understandably so, saying, "I am getting lots of information from various sources", and certainly my own authority has been offering advice on cold calling, how to deal with doorstep calls and so on. Again, I would argue, as the LGA, that our ability to help offer that advice and deal with it if and when there are problems is a useful and, indeed, unique element of the local government role in playing a strong part in driving Green Deal and ECO forward.

John Alker: Most of the measures that have gone in as part of a typical Green Deal package at the moment of, say, around £5,000, are measures and technologies that are very well understood and very standard at this stage.

Sir Robert Smith: Thank you very much.

Chair: Thank you very much indeed. That is very interesting and useful to us.