



Energy and Climate Change Committee

Oral evidence: [Green Deal watching brief \(part 2\)](#), HC 348

Tuesday 17 June 2014

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Written evidence from witnesses:

- [Ofgem](#)
- [Green Deal Finance Company](#)
- [DECC](#)

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Members present: Tim Yeo (Chair); Sir Robert Smith; John Robertson; Graham Stringer; Albert Owen; Ian Lavery; Dr Alan Whitehead; Dan Byles

Questions 212 - 389

Witnesses: **Jonathan Harley**, Head of Operations, Green Deal Oversight and Registration Body, **Robert Hull**, Managing Director of E-Serve, Ofgem, and **Mark Bayley**, Chief Executive, The Green Deal Finance Company, **Rt Hon Gregory Barker**, The Minister of State for Energy and Climate Change, DECC, **Richard Mellish**, Deputy Director, Supply Chain, DECC, **Chris Nicholls**, Head of the Green Deal and ECO analysts and economists, DECC, and **David Thomas**, Deputy Director, Green Deal and Household Energy Efficiency Demand, DECC, gave evidence.

Examination of Witnesses

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

Q212 Chair: Good morning. Welcome to the Committee. Thank you very much for coming in. We have about an hour, I think, with you before we have the Minister, so we will try and be fairly tight. Do not all feel obliged to answer every single question but, equally, I don't want to inhibit you from making any points that you think are important for us to hear.

Can I start by asking a general question? Green Deal—great concept, lofty goals—so far, total failure. Is that because it has been lousily executed or was there some fundamental flaw in the design?

Mark Bayley: I would dispute that it has been a total failure. We have achieved an awful lot in the first year of operations. We have infrastructure across England, Wales and Scotland to be able to set up, finance and administer Green Deal plans. We were able to set up the plans. We were also, importantly, able to collect the plan repayments off the energy suppliers' billing systems. That is all a great success. It is true that demand has not met initial forecasts for the Green Deal, but a large national programme like this will take time to implement. We have already this year doubled the size of the Green Deal plan loan book that we started the year at; it now stands at just over £11 million. All of that points to slow but steady growth in the future.

Q213 Chair: At the present rate of take up, I think I am right in saying it would be the middle of the century before we have reached the original target.

Mark Bayley: Yes, but this is essentially a national infrastructure programme, retrofitting large amounts of the housing stock across the UK. It is not going to happen overnight. It is not, but it is going to happen. There is huge anxiety about energy bills and we are one of the means to deal with it.

Q214 Chair: The Government was very coy about publishing any targets for take up rates. Are you saying, since you dispute my suggestion that it is a failure, this is in line with their expectations?

Mark Bayley: I have to be absolutely clear that the forecasts on which the investors set up the company have not been met. That is true. Those forecasts were prepared at the desktop. They were before engagement with the consumer. Also, we have had, over the past year, very significant changes in the energy efficiency landscape and we are now having to work the Green Deal in a very different way to that which we expected when the original forecasts were drawn, but that does not mean to say that the programme is, as you say, a total failure. We have achieved an awful lot. We have the infrastructure in place. We have the means to deliver the Green Deal in place and that is very important.

Q215 Chair: Why is it we get anecdotal evidence of people who are interested in the Green Deal and find their nearest Green Deal provider is hundreds of miles away?

Mark Bayley: I think that is an absolutely critical point, Mr Chairman. We only have 137 Green Deal providers registered with GD, of which only 50 are on-boarded with us and able to use our financing systems. There is a critical point here that what needs to be looked at is a means of distributing Green Deal plans to the consumer. I think that is where the work needs to be done over the coming year.

Q216 Chair: Why do you think the take up has been so low?

Mark Bayley: I think there are a number of reasons for it. The original forecasts depended on the major energy suppliers using Green Deal to mitigate the cost of their ECO obligations. That has not happened because the obligations on the suppliers changed significantly at the beginning of December. About half our demand is not being delivered in the way that was originally expected. The rental sector has also been closed due to legal technicalities and that only opened on 1 March. On top of that, you have the usual inertia that goes with people doing things to their homes, but this programme is designed to last five or six years, which will, bit by bit, gradually get the job done.

Q217 Chair: Well, five or six years at the present rate of progress will do about a third of the largest town in my constituency.

Mark Bayley: I don't think the past development of demand is a particularly good guide to the future. If we are successful in opening up the channels to the consumer so consumers can more easily engage in the Green Deal then I think we will see a much wider take up of Green Deal plan finance.

Q218 Chair: What do you intend to do about making the Green Deal finance more attractive?

Mark Bayley: In terms of the interest rate and the costs of the plans, we have had independent work to demonstrate that they are very low-cost; that, for very large parts of the adult population, they are a very competitive financing alternative to conventional consumer finance. In terms of attractiveness, we have to remove some of the complexity that is still in the customer journey. We are working very hard on that, but I think we have to make consumers more aware of the Green Deal and aware of the benefits. It is that part of the attraction rather than the basic proposition, which is a very good one.

Q219 Chair: How are we going to make them more aware?

Mark Bayley: We are not in the frontline of dealing with the consumer. Our mandate is simply to set up finance and administer Green Deal plans. We have to work through the provider community. I think they need to be supported with general awareness building of the importance of energy efficiency and what energy efficiency measures can do to protect them against rising costs of their energy bills. It is that part of the attraction that I think needs to be worked on as opposed to the basic concept, which is an extremely good one.

Q220 Chair: Any views from the panel about why it has not worked?

Jonathan Harley: I would like to echo some of Mark's comments about the fact that this is a long-term programme. A lot of the framework that has been put in place will be there for the foreseeable future and will be a robust platform to build on. In terms of participants, as the oversight and administration body we are responsible for ensuring that we have a register of accredited participants. The numbers have grown by three times in the last year, so the interest in the supply chain is there. They are going through our due diligence process in terms of being

providers. Also, the installers' assessor organisation and individual advisers has grown by three times in the year as well. There are positive signs that there is a supply chain who want to be involved in the Green Deal.

Robert Hull: If I can offer from an Ofgem perspective, we are not responsible as such for the Green Deal but for the ECO scheme, which is delivering quite a lot of energy efficiency measures through the energy suppliers and about 750,000 measures have been put in place over the last 12 months. There is a lot of activity in energy efficiency taking place there and ECO is intended to sit alongside the Green Deal in putting these measures in place.

Q221 Albert Owen: Mr Bayley, you mentioned that things have not met the targets. Could you and other members of the panel just outline what you think the barriers are? You mentioned some of them and, of course, we will come on to interest rates, if I may, as a second part of it. Again, Mr Harley, you are absolutely right; there have been some huge successes with ECO and its predecessors. In my part of the world, you have people getting loft insulation for nothing. Why should they sign up to a Green Deal, paying of a lot of money to improve their house when it is already being done in some cases at no cost at all? That is not a barrier, but people are not stupid. They are not going to mortgage or take 25-year loans on something that they can get for nothing or next to nothing available now.

Mark Bayley: I think it is fundamental that hitherto most energy efficiency measures that had been provided either by the major suppliers or by Government have been provided effectively, as you say, for free. What the Green Deal is trying to do is to get householders to contribute to the extent, first, that they make savings and, secondly, that they can afford to do so. You are right. There is a very fundamental change in the approach that the Government is trying to put through and we are the means to do that. Not surprisingly, it is difficult, but I think the basic financial product, and we can go on to discuss it, is a very good one and, importantly, gets to people who otherwise could not borrow the money.

I think the real problem is in terms of the distribution. We are very good in this country at developing wonderful widgets. We often have a big problem getting them to market and I think this is a case in point. We need to look at how consumers interact with the Green Deal and how easy it is or not easy for them to get hold of it. With 137 providers across the entire country, it is perhaps not surprising we have not yet reached scale.

Jonathan Harley: Answering your question about barriers, there is a period of time through an authorisation process, looking at a due diligence provider, to an on-boarding process with the GDFC, to a number of operational steps that providers have to go through to become ready and operational in the market. Our focus at the moment is making sure that those who do get authorisation are supported with the knowledge, supported with the documentation and supported with the infrastructure, so that they can gain the confidence to start to do plans. There has been a focus, I believe, with some Green Deal providers on ECO first with a view to take up Green Deal at a latter point or a little bit later or when they feel operationally confident to do so.

We are seeing an incremental growth of those active providers now doing plans, having, for the first months, either consolidated where they were operationally, got their processes in place to be able to do plans or work primarily on ECO. We are confident both the streamlining of certain processes—a lot of the processes in the Green Deal make sense when they are in isolation, but when you put the whole journey together it can be quite complex. Our focus is making sure that

we support providers in giving them the knowledge to gain the confidence that, when we are ready to do plans, they are doing plans in an efficient way.

Q222 Albert Owen: You want to make it more flexible?

Jonathan Harley: I think we have to be flexible. I think we have to evolve and I think we have to recognise the areas that can improve.

Q223 Albert Owen: What I don't understand is there are successful schemes now in place. Yes, the energy companies are saying they have been hit hard with these green taxes or whatever, but they are working. If the goal of us all is to get more efficient homes and a scheme is working, why are they moving? You said some of the Green Deal providers are working under ECO, but they might be forced to come under the Green Deal.

Jonathan Harley: It is not "forced to". We have large and small providers who have their own business models and have their own plans in terms of doing ECO and doing the Green Deal.

Q224 Albert Owen: But they are delivering successful schemes, aren't they?

Jonathan Harley: They are and this is another opportunity to—

Albert Owen: Another opportunity?

Jonathan Harley: Well, an alignment with the other schemes that are available to provide energy efficiency measures to a demographic of the country that wouldn't be subsidised for those things or may not have the means to pay for those measures upfront.

Q225 Albert Owen: Mr Hull, did you want to comment on some barriers?

Robert Hull: I think one of the key areas here is the supply chain for this. It is a very big industry supplying these measures and there are many different segments of the population to address. Other areas, of course, will pay for their own measures. There is the Green Deal support, and there is the targeted subsidy support that is put in place for the energy supplier. There is quite a diverse mix of different initiatives to try and fit together on that and behind all of that is the supply chain of installers, manufacturers and so on that needs sustainable businesses to try and put that in place. I think all of these different elements ultimately have to try and fit together.

As I said before, we see quite strong development on ECO and on the schemes that preceded that, causing a step change in delivering energy efficiency to what is, with respect, quite an inefficient, from an energy perspective, housing stock. I think it is difficult in places, but trying to fit all these things together does seem to make sense for us all as a country.

Q226 Albert Owen: Mr Bayley, can I come on to the interest rates?

Mark Bayley: Yes.

Q227 Sir Robert Smith: Can I quickly ask one question? You are saying there is a shortage of providers. What hurdles do they have to go through to become an approved provider, especially for the smaller ones?

Jonathan Harley: We have an application process. It is just basically a due diligence process we take all applicant providers through, looking at their marketing and sales techniques, their complaints handling procedures, how they work with their supply chain and ensure that they manage those properly and what their plans are in terms of operational processes of fulfilling the provider role and particularly fulfilling the responsibilities of the code of practice.

That due diligence process is then followed by a number of steps. Some are relatively easy in terms of signing up with the ombudsman, acceding to the Green Deal arrangements agreement, getting access to the data transfer network and so on. Some are a bit more complex in terms of understanding the customer journey and how you interact with the systems in industry. We have put a real focus on making sure we demystify those processes for providers and give them the knowledge and the confidence to be able to operate in the Green Deal.

It is worth mentioning that, although there are some, necessarily so, complex processes, we have to make sure that providers are, in their responsible position of installing measures and providing finance, confident that they can comply with the regulations and the code of practice. We do put an emphasis on consumer protection. We do put an emphasis on a robust set of processes for providers, but do give them the knowledge to gain that confidence to be able to operate.

Q228 Albert Owen: If I could just go back to the loans and the finance package.

Mark Bayley: Yes.

Albert Owen: A number of witnesses have told us, including some of the energy companies, that the whole finance package lacks competitiveness and flexibility. Would you agree with that?

Mark Bayley: No, I certainly do not agree with that for two principal reasons. The first is that although you can see advertised on the tube or online very attractive interest rates, the advertising rules are that they are available only to 51% of successful applicants. Most of the population do not enjoy the headline rates that are advertised. If you take our rates for a £5,000 loan—just under 8%. The average cost of five-year consumer finance is 10.3%. The average cost of credit card debt in the UK is 17.8% and some people buy Green Deal measures on their credit cards or indeed use finance plans with APRs of 19%. Our rates, just 8%, could hardly be described as lacking competitiveness.

Q229 Albert Owen: If some of my constituents, relatively young couples, bought their first house and wanted to improve it, including energy efficiency measures, they could go either for an extension on their mortgage; they could go for a home improvement grant, which, again, linked to bank rates or mortgage rates, as we sit here now is relatively low.

Mark Bayley: Yes. We are a financing option, and certainly there may be cases where the young couple could get a better deal, but only a third of households have mortgages.

Q230 Albert Owen: But who is left? Who are we aiming at? Again, in my area lots of these schemes are already being done for the vulnerable people. Over-60s have had free insulation and many of the housing associations and councils in my area have done energy efficiency schemes. There is not an awful lot of people left. Many of those people who would have difficulty with finances have already been helped and the people who are remaining are relatively—

Mark Bayley: Yes, I am looking at what you might call the “in-betweeners”, which are those who are not—

Q231 Albert Owen: Tell me who they are and why they cannot get decent finance deals.

Mark Bayley: At the moment, if you take the distribution of population against credit score, only about half the population has a credit score above 800 who are able to get credit on decent terms. Our credit threshold is set at 620, and that means we can make our credit available to over 80% of the adult population, which is a far wider availability than conventional—

Q232 Albert Owen: But many of those have already been taken out.

Mark Bayley: Well, they have not.

Q233 Albert Owen: In my area they have. Again, it is anecdotal, but people I have been talking to have had energy efficiency—

Mark Bayley: 25% of our plans go into the 620/800 bracket, to people who could not raise credit at all on decent terms. I think that is very important because we are—

Q234 Albert Owen: You honestly believe they are going to come flocking now, these people?

Mark Bayley: Sorry?

Albert Owen: You honestly think that, on these rates, they are going to come flocking now?

Mark Bayley: Well, our ambition is to get to 1 million homes by 2020 or more. That is not the 26 million households in the country. In fact, it is, in percentage terms, quite a small proportion, but it is a very important proportion because we are providing a low-cost financing option, either much lower cost than people could get otherwise or could not get at all otherwise.

Q235 Albert Owen: Do you consider lowering the rate of interest to make it more attractive?

Mark Bayley: As a lender, clearly the lower the rate I could offer—a magic wand that I could offer at 0% would be fantastic, but—

Q236 Albert Owen: I am not saying 0%. Bank rates are relatively low. Mortgages are relatively low. I did do a bit of research with the home improvement grants, and they are relatively low and quite competitive, then when you sell the property you can just pay those off as part of your mortgage deal and move on. These are less flexible.

Mark Bayley: A couple of points. Obviously, I am speaking from the point of view of the finance company. We commissioned independent research from Capital Economics that said that our APRs are typically the cheapest on offer for that sweet spot of loans for us, between £1,500 and £5,000, which said that the best rate you could get for a five-year loan is about 5.1%, but those with normal credit histories are likely to find Green Deal a more attractive option.

Q237 Albert Owen: But if you are taking that loan out against your house, which most are—again, I know somebody who has a 4.8% loan only last week against their house.

Mark Bayley: Yes, but that option is only available to the prime credits or those who have mortgages. Many people don't, and that is why we are incredibly important. We are an incredibly socially useful form of finance to get to people who cannot otherwise borrow the money to install energy efficiency measures in their house. I believe that is very important. Of course people with savings can do things in other ways. People who move houses and have a very attractive mortgage can use that form of finance, but many people can't, and we are there for the people who can't.

Q238 Albert Owen: There are pros and cons of lowering the interest rates. Do you consider doing that?

Mark Bayley: We have our rate as low as we can. I know that a major investment bank in the City tried to put together what a financing package would look like and could not get below 10% and we are just under 8%. We have been able to get very competitive finance from our investors and also we have a very good deal with the Green Investment Bank. The only way to get the rate lower would be outright subsidy to subsidise the rate and that is a completely different debate. What I would say is, however attractive we make the rate, we still come back to the problem that, however good the product is, you have to get it into the hands of the consumer and I think that is the challenge over the next 12 months, not necessarily taking the rate very much lower.

Q239 Sir Robert Smith: How do you respond to the Advertising Standards Authority's criticism of the way you market?

Mark Bayley: Obviously, that was a huge concern to us. They did not criticise the statements we were making about our APRs. They said to have an APR that was typically the lowest cost did not necessarily mean that the loan was the lowest cost. I have to say that was a surprise to me personally because the annualised percentage rate has always been, to me, the key measure of

the cheapness of a loan, but they said, “Your loans are for 20 to 25 years and if you are lending for a period that is four to five times longer than a five-year loan, the interest bill will be four to five times as much because it is over a four to five times longer period”. We accept the ASA’s ruling and we will make it clear that our loans are for long-term and we will make it clear in making comparisons, but what we have done since the complaint was upheld is eliminated early repayment charges. People can take out our loans and repay them after five years if they suddenly had a windfall of money that allowed them to do so.

Q240 John Robertson: Mr Bayley, you said earlier that the Green Deal had not been a total failure and you said there were barriers which stop success. You mentioned that my constituents do not understand or they do not know anything about the Green Deal and it is not your fault. How are you going to make it more attractive after saying all that? If you are not a total failure, where are you a failure?

Mark Bayley: A couple of questions there. I think the basic question of attractiveness is not just to sit here being attractive but to ensure that consumers are aware that we are attractive, that we are a realistic and available financing option. I think that is the first answer to your question and, indeed, the second answer. Where there is a failure is a failure to connect consumers to the fundamental importance of the proposition we have, particularly to those people who could not otherwise access the money or could not access it on the low-cost terms that we offer.

Q241 John Robertson: On the question of hitting 1 million houses, is that 1 million houses on uptake or just knocking on the door and saying, “Do you want it?”?

Mark Bayley: In our view, it is 1 million to 1.5 million homes equipped with Green Deal plans by 2020. That is the ambition we have set ourselves, and it is a challenging one.

Q242 John Robertson: You do not have much chance, do you?

Mark Bayley: We base that on market research that we have done across the population, looking at the people who have expressed interest in a principle such as the Green Deal and analysing that against the fact that about a third of the population do not have savings in order to finance energy efficiency measures and mapping that, which we are now going to do, on to the housing stock for those demographic groups we will be in. There is substantiation to the—

Q243 John Robertson: We will see who is right at the end of the day. If somebody has a loan and they are trying to sell their home but the person who is buying the home does not wish to take on the loan that they have taken, can they buy out that loan?

Mark Bayley: Yes. The great thing about a Green Deal is that it is fixed, fixed and fixed. At the point of moving house, you can calculate, very easily, the number of months that the Green Deal plan is in force. You know exactly what the repayments are and it is a question of multiplying out what the balance is and, typically, that would be about 1% to 2% of the average cost of a house in the UK. It is very easily quantifiable.

Q244 John Robertson: That will be good news to some. Is there way a making the Golden Rule more flexible, while maintaining consumer protection?

Mark Bayley: That is terribly important. The Golden Rule is not guaranteed. I personally think that there is quite a lot of aim off. There are two particular aim offs. The first aim off is that the Golden Rule is based on taking the laboratory results of energy efficiency and applying a discount of, typically, about 25% to what the energy efficiency would be like out in the field. That needs to be looked at in the light of evidence to see whether that is too much of a discount. It is also important that the Golden Rule is calculated on the past three years of energy prices and does not allow for the potential for energy prices to escalate. I think that is another very conservative factor in the calculation. I think flexibility is in terms of looking at whether those aim offs are perhaps too much and could be relaxed a bit.

Q245 John Robertson: You mentioned there about some of the other deals that knock on to the Green Deal. In the case of the Consumer Credit Act and the launch of the Green Deal Home Improvement Fund, will that boost the take up of Green Deal, in particular in the private retail sector? I say that simply because I had a constituent who came to me who basically said it just was not worth taking it up.

Mark Bayley: A couple of points. The Green Deal Home Improvement Fund, in the case of solid wall insulation, will only subsidise up to 75% of the cost of the measure. Applicants have to find the balance and that is where we can provide a very important financing option. I do believe that the Home Improvement Fund will benefit uptake of the Green Deal and it is a very sizeable amount of money being put on the table. In terms of the particular case of the person who came to see you, I would need to know more about the specifics. We may or may not be an option, but I am sure we are an option to many other of your constituents if not that particular one.

Q246 John Robertson: Energy UK, on 27 April, warned potential customers of rogue traders. What was the impact of rogue traders on take up of Green Deal, and are you permitting cold-calling to people's homes, knocking at doors and using telephones?

Mark Bayley: I think that question is more appropriately asked of Jonathan Harley in terms of how the activities of the Green Deal providers and the assessors are regulated. I would say that we ourselves have not seen particular evidence, of the suppliers that we are working with, that they are in any way abusing their role as Green Deal providers.

Q247 John Robertson: Okay, Mr Harley and then Mr Hull to find out what Ofgem are doing.

Jonathan Harley: A key part of the oversight and registration body, as well, is obviously to ensure that consumers are protected and we are responsible for maintaining the accreditation framework in relation to the Green Deal, which has a number of different components. We have certification bodies who certify installers and assessors and we directly monitors providers and certification bodies under our responsibilities of the code of practice. We also log, both from a

reactive perspective and a proactive perspective, what the issues are in the industry in relation to rogue traders.

We found that the issues that have been made known to us are of companies who have looked at the new scheme in terms of the Green Deal and tried to be opportunistic around taking advantage of consumers to make a “quick buck” as it were. We found that the handful of companies who we have worked very closely with Trading Standards with have been non-accredited participants, and where we have found concerns of rogue traders, we have dealt with them very quickly.

Q248 John Robertson: Can I take it then you are against cold-calling?

Jonathan Harley: Cold-calling?

John Robertson: Somebody who knocks on the door, foot in the door, “I want to sell you something.”

Jonathan Harley: There are clear guidelines under the code of practice in terms of whether a company does—

Q249 John Robertson: That does not answer my question. There might be a code of practice that says they can do it. This Committee has had a history of attacking companies that do this because nobody can ever say 100% that people are doing this correctly. I have a number of elderly people in my constituency who could be vulnerable to these kind of people. Mr Hull, what is Ofgem’s role?

Robert Hull: From an energy supply point of view, we are absolutely against that approach. Turning to energy efficiency, on the ECO scheme energy suppliers, again, have to comply with a code of practice for how they undertake that, but the key thing is that we also have to approve measures that come through. We have to make sure that they are validated and so on. Indeed, any allegations that may come forward about any abuse we take very seriously and can take actions against the suppliers or pass on to the relevant authorities. It is something, whenever it comes to our attention, we take very seriously.

Q250 John Robertson: There was a company in Erskine yesterday that knocked on my daughter’s door and unfortunately they found my wife babysitting at the time and I am sure that they had an excellent reception from her, but that is the kind of thing I am talking about. This person also refused to name who they were when my wife asked the name of company who was doing the cold-calling, but because she said she was a babysitter, they said they would call back. Now, it strikes me that breaks just about every single rule in the game here. If it is a rogue trader then you would expect them to do that, but my great worry is that it is not a rogue trader. It is just somebody that is going around areas where they think they might get some business and the area I am talking about probably is the area. What can we do in protecting my daughter and the people that live around about her?

Jonathan Harley: Whichever area we are looking at, clearly it is a practice that should not be happening.

Q251 John Robertson: We get this all the time, “It shouldn’t be happening,” but it does happen. I get a feeling that there is probably a practice that says you cannot do it and the companies in question—because Mr Harley prevaricated. I hope he does not mind me saying that, but he certainly beat about the bush in what he was trying to say, and I think, therefore, that the rules are not being spelled out to the companies. If all the reputable companies stick to the rules, they will pick up the rogue traders immediately. There lies the problem; they do not all stick to the rules.

Jonathan Harley: We have a very robust accreditation framework in place and certification bodies do help that in terms of direct certification of installers and assessors. Of the issues that we have been notified of and the proactive auditing, monitoring and mystery shopping that we have done, accredited Green Deal participants, whether it is assessors, installers and providers, understand their roles and responsibilities and are constantly monitored in terms of ensuring that they conform to their responsibilities.

Where, again on a handful of cases, accredited participants have not conformed to their role, they have lost their certification. We have not had to instigate any sanctions as yet on accredited participants, but we do have the option to do so. One of the key points I wanted to mention today was the fact that we do have that robust accreditation programme with clear sanction processes for Green Deal participants. That monitoring strategy that we have set out is incredibly important and has to remain at the heart of the Green Deal.

Q252 Dan Byles: There has been quite a lot of discussion about the barriers and problems and several times we have referred to communication and communicating with the public as being an issue. How satisfied are you overall with the communications and marketing approach that have been taken to try and sell the Green Deal?

Mark Bayley: The evidence is that the awareness of Green Deal is now about 23% of the population. I am not a real expert in these things, but I think that is pretty good compared with less than 5% about a year ago.

Q253 Dan Byles: Are you satisfied that that awareness is all positive, though? A lot of that might be people reading horror stories in the press.

Mark Bayley: I can’t address the specifics of that. What is quite interesting is the market research we did that indicated quite a high level, 40% interest in the basic pay-as-you--save principle. People felt that was a good idea and responded positively. I think the words were “positive feelings toward a pay-as-you-save principle”. That is pretty good if you take 40% as opposed to 23% who are aware of the Green Deal. I think we have a fundamental basis on which the Green Deal could grow.

Q254 Dan Byles: Are you aware of the criticism, though, that the initial advertising campaign, the nearly £3 million that was spent, was spent far too early and that, in effect, some demand was

peaked for some potential early adopters at a time when Green Deal finance was not available and the Green Deal was not available? Are you familiar of that criticism? “Too little too soon” is what we were told.

Mark Bayley: I am not deeply familiar with that. At the time, we were getting our systems up and running and working, which they very quickly were after the launch of the Green Deal. I think the issue at the heart of it is that the actual mobilisation of Green Deal providers to sell plans happened very much more slowly than we had anticipated. It is obviously a regret, if you are hyping up demand at the time that the supply chain—

Q255 Dan Byles: What we were told by one organisation who specialise in insulation, who are a Green Deal provider, was that they welcomed the fact that DECC spent £2.9 million on communications between January and April 2013, but it was insufficient and poorly timed. They felt the activity was designed to defend DECC from criticism about the late start, rather than kick-start consumer interest.

Mark Bayley: I hate to pass the buck here, but DECC did the campaign. I am sure they have very cogent reasons to answer that kind of thing. As far as I am concerned, awareness—

Dan Byles: “Ask the Ministers”, is that—

Mark Bayley: As far as I am concerned, awareness is building. There is very positive support for the idea of a pay-as-you-save principle. I want to work with that going forward and get the supply chain effective in getting this financial product to the consumers who want and need it.

Q256 Dan Byles: But do you think it is important that we get better co-ordination? I am going to look across to Robert now as well. For example, there is evidence that some people get confused between ECO and the Green Deal. There is lots of complicated different Government and industry schemes to try to help people. Do you not feel that it is turning into a bit of a morass, where the average consumer just does not understand the distinction between different schemes, for example? Can we co-ordinate better in our communication?

Robert Hull: I think it is coming from two directions. One is building customer knowledge and anticipation, which sits across a whole range of things and that is the general understanding of what is energy efficiency and is a wider communication exercise. Organisations like the Energy Savings Trust play a big role in doing that, providing general information, and that is one area of trying to generate the pool from consumers, that they want to do this whichever scheme they then go down. The other area then is trying to promote the different schemes while, at the same time, keeping the protections in place that make sure that they are not abused, that the money is used in the right way and that they are as efficient as they can be. Experience shows that there is a lead time in gaining understanding of that because complexity and certainty are two sides of the same coin. Trying to communicate that in a simple way into new participants taking this up can take some time. I think it is evolving and probably what most people call for is to try and see a continuous path of evolution rather than lots of changes over a period of time to try and link those together, if that makes sense.

Q257 Dan Byles: Whose job principally do you think it should be to promote and co-ordinate the communication around the Green Deal? Is it DECC's? Is it the Green Deal providers? Is it the finance company? One of my problems is I do not know who is responsible for making sure the consumers understand what the Green Deal is.

Mark Bayley: I think that is one of the things we need to tackle. My understanding is that there are 200,000 hits on the gov.uk/green-deal website. That is a huge amount of interest, and I think what we need to be doing and the company—

Q258 Dan Byles: There is something wrong if we are not converting that at anything like the levels—

Mark Bayley: There is an opportunity to exploit. I will put it like that if I may.

Dan Byles: That is another way of putting it, yes.

Mark Bayley: An opportunity that I want to exploit and turn the company's attention to. There is a question of ownership because the Green Deal Home Improvement Fund is a Government fund. It is not our fund. It is going to be difficult if we start running it. We cannot do that, but what we could do is ensure that anybody who expresses interest in the Green Deal goes to a very clear webpage that, for instance, gives them a pre-assessment tool. They can put in the data on their own house and get a basic pre-qualification Green Deal assessment, then know what types of financial support there are for that and the availability of Green Deal finance. That is a very important thing to pull together that will, I think, help guide people through the range of—

Q259 Dan Byles: I still worry that that should be step 2. Step 1 is somebody who wants to do something and they do not know if that is ECO. They do not know if it is Green Deal. They do not know if it is something else. Where is the initial filter? How do we know that somebody who might be better off doing something under ECO is not going to ring up a Green Deal provider and be sold a Green Deal package when ECO might have been better for them? Do you see what I mean? My fear is there is not a joined-up approach.

Jonathan Harley: One of our responsibilities in the Green Deal is to ensure that all the different participant types have a very defined and clear governance structure, where they go to not four or five different fora or meetings but one that is then fed into strategic meetings at DECC, so clarity of the issues is there and critical issues are looked at. One of the issues on the agenda of Green Deal providers, because they work across different schemes, is how they align their services and align to other energy efficiency schemes that are out there.

Some of the very practical things that we have helped facilitate are scheme alignment documents to allow installer qualifications to be recognised from NCS to the Green Deal. We have looked at common working procedures across different schemes. It is a focus that we are looking at, and I think it is important that there is a common message—a clarity—particularly to the consumer of what their options are and clarity about what that means for them, but it is something we are looking at from an operational and practical perspective.

Q260 Dan Byles: I am glad to hear that because one of my concerns here is that a lot of this is about trust. According to the last Edelman Trust Barometer, the energy sector is now the least trusted sector in the country, even below banks and banking; just below politicians, I think. People do not trust what happens in energy, and in the past we have used poor language around the counterfactual where we have told somebody, “Do this and your energy will be lower,” and the next it is £50 higher. They do not want to hear, “Oh, but it would have been £150 higher if you had not done it. You told me it was going to be lower.” All of us, Government and industry, have already lost most of the goodwill and trust from the consumer around energy. It is important to have clear messaging that is truthful and honest.

Mark Bayley: The market research we did shows the fact that the Green Deal is a Government-sponsored scheme gives it a lot of trust. People buy that, and I think that is an important thing to work on and we certainly intend to do so.

Q261 Dan Byles: Looking at Mr Bayley, you commissioned a consultancy to have a look at the Green Deal process in July 2013. What have you done about the meeting the issues that they raised?

Mark Bayley: For example, we got the number of questions that were asked of the householder in terms of whether they were eligible, in terms of credit and affordability, to have a Green Deal plan right down to the bare minimum. We reconfigured a lot of the processes that were sequential to run within parallel, so the things that were agreed subject to, and that whole process culminated in a Green Deal in a Day facility that came in at the beginning of this year where people could take out a Green Deal at the point they made their financing decision. There is still a bit more backstage complexity that we need to get sorted to make that happen as swiftly as we possibly can, but that is the direction we are heading. We now have, in certain cases, full automation of the documentation to minimise any errors that can hold up the implementation of a Green Deal plan after the householder wants it.

Q262 Dan Byles: Is the Green Deal in a Day now operational?

Mark Bayley: Yes, it is.

Q263 Dan Byles: Do you have any statistics yet on how many people have made use of that?

Mark Bayley: I am afraid I do not have the specifics, but I can come back to you on that point.

Dan Byles: Thank you very much.

Q264 Sir Robert Smith: Do any of you have any interaction with DECC’s Big Energy Saving Network as part of promoting the whole concept?

Mark Bayley: I have, daily, a huge amount of interaction with DECC across everything to do with the Green Deal to make it work better. The actual specifics of that, I am afraid, I can get slightly

confused between the different parts of actually dealing with them. I have most certainly dealt with that initiative, but I thought I was dealing with an official rather than the initiative.

Q265 Sir Robert Smith: If you are confused—

Mark Bayley: At the heart of it, both we and DECC are wrestling with the challenge to make the Green Deal work and work successfully and our interaction is very intensive to make that happen. Sometimes things get badged when what is happening underneath the badge is perhaps more important, which is the engagement to ensure that we are delivering what Government has in mind as a policy can be practically implemented.

Jonathan Harley: I obviously have daily interaction with DECC as well and our focus is supporting the supply chain and ensuring they are ready to participate and they are conforming to the code of practice. We do not have a direct role in that particular scheme or that particular concept, but we do have daily interactions and we focus on making sure that we support the supply chain as our remit dictates.

Q266 Sir Robert Smith: Wasn't the original vision that Green Deal providers would be out there championing energy efficiency because it would be in their interests to get the business?

Jonathan Harley: I think they have a joint responsibility to do that and when they become confident, operationally ready and start to actively do plans, I think they have a role in advertising their services either locally or nationally, dependent on where they operate, through the authorisation processes we take them through. We have a number of different examples given to us about how they are going to interact with customers and some, particularly those who are active, are already doing that and that is starting to manifest itself in more plans.

Q267 Sir Robert Smith: Do you think we could motivate people more by the fact they are doing good to society by reducing energy efficiency or do you think we motivate them more by saying, "You are going to have a—"

Mark Bayley: We did some focus groups on that and what was quite interesting was the distinction that—dare I say it?—the carbon reduction target is the Government's problem but energy efficiency is, "My home, my problem." In answer to your question, I think the emphasis for the householder needs to be on the arithmetic of what they can do to protect themselves against any rises in energy prices, what it is going to cost, where they can get the money from and that basic financial equation. That is where I think we are concentrating our efforts.

Q268 Dr Whitehead: Mr Harley, what changes have you seen emerging in the Green Deal market since the various announcements just recently on the changes to ECO, particularly the extent to which ECO is perceived to be colonising what had previously been the domain of Green Deal?

Jonathan Harley: There has been an increase, particularly straight after the announcement of those applicant providers who wanted to take part in the Green Deal. We also provide support

services in terms of knowledge sharing on the processes relating to the Green Deal and a number of authorised participants who had, at that point, not been active or not been following the steps of operational readiness or on-boarding with GDFC started to do that. They started to get behind the Green Deal and what the Green Deal offered them. I think the announcement partly has increased the level of interest or the urgency perhaps that some providers have about being operational and starting to do plans.

Q269 Dr Whitehead: What, on the basis it wasn't Green Deal anymore?

Jonathan Harley: Sorry, I misinterpreted that. Not on the basis it was not Green Deal anymore. I did not interpret the autumn statement to mean that. The alternatives to do Green Deal plans were still very much there and that is what they wanted to focus on.

Q270 Dr Whitehead: Mr Bayley, on the changes in the autumn announcements that the focus was going to be on easy-to-treat measures, I imagine you must have been rather dismayed, in terms of the original arrangements relating to Green Deal finance being primarily related to the Golden Rule, as we have heard already this morning, that suddenly that has gone.

Mark Bayley: The autumn statement announcement represented a very significant change in the landscape, and we have had to address that and evolve our business model to deal with that because what it meant at the heart of it was that the energy efficiency measures, the progress to towards carbon reduction, was not going to be delivered so much through the major energy suppliers but through an independent channel of Green Deal providers. That is why, in my understanding, the £540 million of Government money was put through those schemes and, for example, the first instalment of the Green Deal Winter Scheme and the Green Deal Home Improvement Fund. It is a shift away from delivery by the major energy suppliers paid for by the bill payers to delivery by Green Deal providers, who are independent of the suppliers, paid for by the taxpayer but using Green Deal finance as much as possible to mitigate the burden on the taxpayer.

I see a big change and I saw a major hiatus in the supply chain in December and January, but, since January, we have doubled the number of providers selling plans. I think people turning towards using Green Deal finance as a way of keeping up their order books and their pipeline of work.

Q271 Dr Whitehead: But in terms of those people we identified earlier as the gap between those people who could get good sources of finance and those people who were not in a position to get finance at all in that group you were after, they have gone now, haven't they, in terms of the changes that have been made to ECO where people can say, "Well, previously I might have been in that group," but now we are moving towards ECO, aren't we, for those easy-to-treat measures?

Mark Bayley: A couple of points there. There is a wider range of measures available under the Green Deal and under the Home Improvement Fund and our latest arithmetic suggested that you get a much better deal going through the Green Deal Home Improvement Fund, with Green Deal finance, that you might be able to get through ECO. I think there are more options available to the consumer, which perhaps come back to the point to make sure that, as consumers get

interested in the Green Deal, they are signposted to exactly what is on offer for what they want to do.

Q272 Dr Whitehead: Mr Hull, the energy companies in all this are now saying they would like to see that there should not be any cap placed on excess measures they can take forward from the original 2015 ECO target into 2017. That is going to have an impact, isn't it, on the overall carbon and energy savings that were originally in the plan?

Robert Hull: Yes, it is going to make a difference. It was about 9% of the measures that were due to be carried over due to excess actions from a previous scheme. That has yet to be finally assessed. That may turn out to be about 18% if the new revised targets come through. That is going to make a difference. There is still a large number of measures that need to be put in place. At the moment, suppliers on the main hard-to-treat area, it is about 32% of progress that they have made. It is going to make a difference, but there is still a long way to go for them to reach their targets over that period.

Q273 Dr Whitehead: The Committee on Climate Change suggested to us that the original ECO targets were not ambitious enough relative to the potential number of low-cost measures that could be installed and also relative to the pot of funding that was originally set aside. Now we have seen that ECO has effectively moved away from those targets and into the easy-to-treat measures, which, at the very least, you might say has muddied the waters on targets. Do you think that is a fair assessment?

Robert Hull: I think it is slightly more complicated because there are different segments. Some of the affordable warmth group, for example, those targets have not changed. Those are still very important targets to reach and that is where most progress is currently being made.

Q274 Dr Whitehead: Add that to the cost of taking all the money away from CERO and various other things.

Robert Hull: Clearly, that is going to make a big difference to the overall cost, the amount of measures delivered during this period, but clearly Government can then look to further periods as to what the cost of measures has been and how large the obligations are in the future. Government has taken decisions over a period of time now, but ultimately there should be a long future ahead of additional measures being taken as we gradually improve the housing stock in the country. You are absolutely right; there will be differences short-term, but Government has the opportunity to revise that in the future.

Q275 Dr Whitehead: What is your view of what the overall cost of ECO is now looking like, particularly in terms of the changes that are coming in? A report before the changes suggested that the annual costs could be perhaps 1.5 times what the original estimate was. Is that, in your experience, something that has started to take shape, and in terms of the changes that are taking place, is that like to disguise over the period perhaps an even higher cost for ECO?

Robert Hull: We are providing data to DECC on the costs and they are monitoring this very closely. I think the evidence to date is that the costs that are coming through are about the same size of the impact assessment that was originally planned. Our latest forecast is that these are adding about £40 to consumer bills at the moment. Obviously, with the changes announced late last year, the expectation is that in the overall outcome that is going to reduce costs by about £30 to £35 from the overall forecast that was planned. So there will be a reduction that is expected to flow through as a result of that. I think at this time it does look as if the costs are proceeding to forecast, on the scheme that was planned at the time. The revised scheme, as and when that comes in, will have reduced costs for a period of time until and when Government decides to take any further decisions on what that might look like.

It is fair to say both ourselves and DECC are paying very close attention to what the costs are, trying to track the information coming through from energy suppliers about what it is costing to install all of these measures. It is like all of these things, the final sums will be known after the event, but we are trying to track as much as we can as we go through, and at the end of the day, as a means of carbon saving, it is one of the most efficient. It is trying to obtain the best value for money outcome from the design and the scheme that is in place.

Q276 Dr Whitehead: I am talking about best value outcomes. More specifically in terms of the headlines that have taken place about the whole thing, both Green Deal and ECO seems to be boiling down to a boiler scrappage scheme, nevertheless heating oil and LPG boilers are simply not being replaced under ECO, it is fair to say, and only a very small proportion of boilers under Affordable Warmth have gone into rural off-grid areas, for example. That appears to be a particular value for money area that does not appear to be served. Is that a fair observation of one of the barriers that might be removed to change that?

Robert Hull: There are three main areas being targeted—loft insulation, wall insulation and boilers—and some quite considerable progress is being made in each of those areas. As far as boilers are concerned, yes, particularly in the Affordable Warmth Group, that has been quite a significant area of progress. As far as off-grid or fuel oil is concerned, there are other schemes in place—for example, renewable heat incentive, which allows replacement of those boilers with heat pumps or supplemented by heat pumps, or indeed with biomass boilers and so on. So there are other Government schemes that—

Q277 Dr Whitehead: But not integrated into ECO?

Robert Hull: Not integrated into ECO, so that is again a separate scheme that is in place by Government.

Q278 Sir Robert Smith: But requiring more upfront capital from the rural resident than someone on the gas grid?

Robert Hull: Exactly. Just coming back to the rural obligation, that is one area where progress has been very slow by suppliers, so we have only seen 1% of the obligation on the rural community

schemes that have taken place so far. So we are monitoring suppliers very closely on that because—

Q279 Dr Whitehead: That is presumably because they are not interested?

Robert Hull: Well, what suppliers are telling us is that it is difficult to identify these community groups in a rural area and so on. But they say they are on the case and they fully expect to be able to do this. From our point of view, we are monitoring them very closely on this requirement to give us reports on what is happening. They still have time to undertake this obligation; if they don't then we have the power to take enforcement action if they miss any of these measures. Indeed, for the previous scheme, we have, I think it is, seven enforcement cases running at the moment where we are investigating whether to take action against suppliers. So there is a very clear incentive on them to meet their obligations, including some of these, where they are making not such good progress at the moment.

Q280 Dr Whitehead: You cannot get much worse than 1% of your obligations, can you though, really? Well, it could be 0% I suppose.

Robert Hull: Yes, that is the—

Q281 Dr Whitehead: Isn't that rather important in terms of—

Robert Hull: It is.

Dr Whitehead: doing something about that now?

Robert Hull: Yes, which is exactly why for some time we have been drawing this to the attention of suppliers. They are very clear what will happen if it is not met. In other areas, the Affordable Warmth, they are making much better progress and I think it is a case of going through these different elements and the category they are going to target first. So I think we have seen with most of the suppliers, they have targeted affordable warmth groups and then they are moving to some of the other areas. What they are saying to us is that how they are organising their resources during this period, but ultimately, as you rightly say, 1% doesn't look good. We were playing very close attention to that and monitoring that specifically, while reporting all of this information on a monthly basis so it is all transparent—it is very clear to see what is happening with all these various parties—and to try to keep scrutiny on progress, costs and these different segments.

Q282 Sir Robert Smith: The definition of rural is not that onerous, is it?

Robert Hull: Yes, I don't have the definition to hand, but, no, I don't think it is.

Q283 Ian Lavery: I just want to briefly touch on the jobs front. When the Green Deal was first announced it was heralded as a bonanza, a potential bonanza for jobs in the energy efficiency industry. We haven't seen that and I think the figures we have is that we lost 7,000 jobs in the first half of 2013 and the changes and cuts to ECO could cost a further 40,000 jobs. Is there any evidence whatsoever that the Green Deal has generated any new movement in the energy efficiency industry? Is there any evidence to show that there are many new players in the market?

Jonathan Harley: I have statistics on how many Green Deal participants there are. I don't know the breakdown of how many jobs have been created in the energy efficiency sector because there are new companies operating in the Green Deal. I believe many companies have operated under energy efficiency schemes in the past, but I am aware that some organisations have formed to work in the Green Deal market. We have 151 providers now who are accredited; 26 certification bodies; 370 assessor organisations; 3,846 advisers, individuals who do assessments; and 2,649 installation companies.

Q284 Ian Lavery: I am thinking more generally: people working in the energy efficiency industry, not the assessors, people working on the ground. This jobs bonanza that we were promised hasn't arrived. The fact is we have lost more jobs than have been created, and that was one of the really encouraging things about Green Deal, it was going to provide jobs in industry. It has not happened, has it?

Jonathan Harley: We have participant numbers that have trebled—

Q285 Ian Lavery: I am not after participant numbers; I just want you to answer the question.

Jonathan Harley: But that allows jobs to be made.

Q286 Ian Lavery: Without being rude, that is not what I am asking.

Jonathan Harley: Okay, I can give you the stats that I have, and being a participant will lead to many of those participants doing jobs and installing measures. That has been our focus, to make sure that there are authorised providers and they are registered and able to work, which these numbers are.

Q287 Ian Lavery: Is there any job creation?

Jonathan Harley: I am not qualified to answer that; all we do is maintain a register.

Q288 Ian Lavery: Is there any industry suffering as a result of the various changes in the industry, including the recently proposed changes to the ECO?

Mark Bayley: I referred earlier to a significant hiatus following the beginning of December announcements. My impression, from talking to people in the industry, is that has quietened down with the Green Deal communities scheme and the Home Improvement Fund. There is clear money going on the table and a number of the SMEs who are Green Deal providers working with us. They are using our finance to keep their pipeline of orders full. But I can't go further than that with any quantitative evidence for you, but that is the impression I am getting from talking to people in the industry.

Q289 Ian Lavery: Mr Bayley, with regard to the scheme you started in the beginning of this year, this programme for providers who are going to sell plans and quantities, do you have the results of that?

Mark Bayley: Yes, indeed. We have doubled the number of providers selling plans since the beginning of the year. We have doubled the size of our Green Deal plan loan book and we have doubled the rate of plan applications each week. So, before we started, we had about 80 a week. Now it is clocking 167, nearly worth £750,000 each week.

Q290 Ian Lavery: What specific actions are you taking to help providers increase their sales?

Mark Bayley: That is terribly important. We are talking to them and making sure that they understand fully the arithmetic of the Green Deal Home Improvement Fund offers on the table with Green Deal finance. The packages that work particularly well for the consumer and for them. That is one of the things we are doing. We are making sure that there is no impediment when they want to process a Green Deal plan. If they have a problem either we sort it or we know who to call to get it sorted. It is that kind of practical assistance that we are offering.

Q291 Ian Lavery: Finally, just the Heating and Hotwater Industry Council, among other small businesses, feel quite aggrieved by the perception that small business has been excluded by the Green Deal process. I am not sure whether you would agree that this was the case. If it is the case how can this be changed and small businesses be more involved in the Green Deal process?

Mark Bayley: Some of the Green Deal providers we are working with are very much the "S" part of the SME, the small to medium enterprises. As we are seeing people getting interested in the selling Green Deal, size is not really a barrier, but I think it is quite a different new line of business that many of these small businesses have to deal with, which is essentially selling credit. Therefore, they need to take on all the consumer protections and safeguards, which is different to what they would usually do. I think it is very important that the Green Deal Home Improvements Fund is open now to 2,850 or so Green Deal installers, which are very much many of the small businesses that you refer to. So they are able to get access to that money on behalf of their customers, and I think the more we can work to ensure that their customers can also get Green Deal finance means the packages can really help them sell their products and services.

Q292 Ian Lavery: Do you generally agree with what they are saying that they believe that they have been basically prohibited from participating in the Green Deal process? It is really important.

Mark Bayley: That may have been the case. I think the impediments were practical rather than legislative. Now that the rules of the latest Home Improvement Fund have accommodated a whole range of Green Deal installers is a very significant step to removing any sort of legal or rule impediment. Let's not underestimate, though, the practical barriers of selling at a product like the Green Deal. So we need to work out how to solve that problem in the coming months.

Q293 Dr Whitehead: Could I just have some clarification on some of these figures? Mr Harley, you mentioned the trebling of providers. From what figure to what figure?

Jonathan Harley: It is comparable figures this time last year at the end of the financial year of 2013.

Q294 Dr Whitehead: All right, what was the number in 2013?

Jonathan Harley: I give it in my written statement so just bear with me. So in terms of authorised providers in April 2013, we had 55, now we have 151.

Q295 Dr Whitehead: So tripled. Would you accept that talking of tripling is a little, shall we say, rosy?

Jonathan Harley: Well, it is significant incremental growth and it is showing that there are participants of all types who are interested in engaging in the Green Deal process.

Q296 Dr Whitehead: From virtually nothing to not very many?

Jonathan Harley: In terms of providers, it is a key role and there has been a lot of interest from both small businesses and larger businesses who want to engage. So there has been a good incremental growth and continues to be an interest in terms of the applications that we get each week.

Q297 Dr Whitehead: Mr Bayley, in terms of doubling of accredited providers, you mentioned the question of SMEs and the concentration on the "S". If you have a doubling but you doubled that number in terms of the very small providers who add a very small quantum to the total, that might mislead some people in terms of thinking that the figures are rather rosier than they might otherwise be, wouldn't they?

Mark Bayley: I take your point. I think the real challenge is to take the medium-sized enterprises and get their selling levels up. My point was to address the fact that to be a Green Deal provider is an opportunity for a small business as much as a medium-sized business. I am not sure I used the word "concentrated" but what I meant to say if I did use that word was we are seeing small businesses on-boarding in the use of our finance systems as well as medium-sized ones.

Q298 Dr Whitehead: But what would the figure look like in terms of total availability of providers if you took the various sizes of the companies that have come on board to double those figures as to what was there previously?

Mark Bayley: I don't have the exact data in my head but from the people we have been dealing with, it is a broadly similar mix before January as we have now on the books selling plans. That is all well and good. The important thing is to help develop those businesses that are selling plans to ensure that they are doing it as effectively as possible and to analysing whatever constraints they may have and see what we can do about them.

Jonathan Harley: We are working very closely with GDFC to make sure that, where they are supporting providers in terms of financing and encouraging them to understand how to use the finance, we are giving very practical one-on-one support in terms of the knowledge and the processes. We are doing webinars; we are doing provider groups, so that they understand and are confident. Of course a large organisation may have a lot of processes in place, maybe used to adherence of consumer protection rules that are out there where smaller providers haven't interacted with that framework in the past. So we are trying to demystify, clarify what their operational processes can be to give them the confidence to work in the market. We have had, I think, nearly 75 registrations in the webinars that we do from providers who are very keen to understand all the steps that they need to take and practically apply them in the market. So we are providing those services to small, medium and large organisations to make sure that there is not that perception that it is too difficult or too complex to work as a Green Deal provider in the market. That is fundamentally important to us.

Q299 Graham Stringer: One power company has described a customer's journey through Green Deal as long, arduous and complex. What are you doing to simplify that journey through the system?

Mark Bayley: I have to say I think that could have been a very fair description at launch. We have done a number of things. We have cut the number of questions we ask of consumers. We have also reconfigured the process as I was mentioning earlier to allow more parts of the process to run in parallel rather than sequentially, so we can boil it down to just getting a Green Deal in a day in many cases where customers can have the Green Deal at the point at which they make their financing decision. We have also done a lot of work simplifying the process to on-board Green Deal providers in the use of our financing systems as well. The process now takes three weeks for the fastest providers, whereas the first ones took about three months when we were inventing the process. All parts of the process we have looked at, we have asked ourselves, "Do we really need this? Do we really need that? How can we make it faster, quicker, better?"

Q300 Graham Stringer: Are you at the end of the streamlining process?

Mark Bayley: Nearly. I want to ensure the Green Deal in a day process can be made available to all our providers. It requires quite a lot of technological interaction from one end of the process to the end of our systems and I think automation too can make it better. So I would have difficulty giving you a percentage, but we are a very long way away towards getting where we can do it, but we also need to look at other parts of the process more generally. I think the attention

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

Q301 Graham Stringer: Just moving away from streamlining, what specifically are the other improvements you have in mind over the next year?

Mark Bayley: I think largely to do with a consumer sitting at home perhaps at the weekend, heard about the Green Deal, interested in it, what moves they make and how can we move those 200,000 hits into converted plans, looking at each step of that process to see how can that be made better, easier for the consumer. It is an important statistic, but I think about two-thirds of the people research and purchase their financial products online, whether it is insurance or loans or what have you, whereas the current Green Deal process is very much, as we discussed earlier, in the home selling, which is only suited to particular demographic groups who find that a preferable way of buying their financial services. So I think we need to look at that to see whether working with our providers, working with DECC, we can configure the Green Deal to work more in the way that consumers habitually purchase their financial services.

Q302 Graham Stringer: You talked previously about DECC's target of 1 million homes to be improved, what are the biggest threats to that target and what are the key issues in making sure that that target is implemented?

Mark Bayley: The million homes that I was referring to is 1 million to 1.5 million homes equipped with Green Deal plans, which is a subset of a much wider proportion of homes that are equipped with energy efficiency measures as a result of all the programmes that are currently in place. What are the barriers to that? There is, at the end of the day—I experienced it myself—an inertia in terms of getting things done to your home. You know you really should, but there is not much glamour with energy efficiency and it is difficult to feel as committed to a process where you are dealing with something that is quite mundane, installation and so on and so forth. So I think that consumer inertia is something that needs to be overcome, but that could be overcome through greater awareness building. Certainly, as it takes route, we do find in many of the more successful selling operations that I referred to in my submission, where one house in an estate is done up, there is quite a bit of the "keeping up with the Jones's effect. People say, "Well, that looks good." They take an interest in what their neighbours have done and they'd like to have it themselves, and the provider is responding to that by trying to meet demand across the estate. We are at very early stages, but I do believe as it grows, more people get interested, they see the good arithmetic sense in doing it and will take part.

Q303 Graham Stringer: It is a very interesting area. You are basically saying consumers' resistance is the biggest problem. Are there not organisational problems? A lot of the questions have focused on organisational difficulties. Do you not see any of those organisational—

Mark Bayley: Consumer resistance is a part of it. That is overcome with time. Over a five year timeframe, most consumers will get there. There is a job we need to do, which is the industry, in communicating the benefits of what we are about, which is about affordable builds, protecting people against price rises and then to Government. There are wider benefits in terms of energy security, in reducing the amount of power we need to generate and also in terms of meeting carbon obligations. But as far as the consumer is concerned, I think we need to get over that it makes a lot of economic sense and it is not that difficult a thing to do. We have quite a journey to address that.

Q304 Graham Stringer: There is consumer protection for people taking out Green Deal finance. Do you think it would help if that consumer protection applied to the rest of the Green Deal products?

Mark Bayley: I think the consumer protections in the Green Deal, both for the finance and for the assessment process and insulation measures, is a very high level of protection. The whole framework has been designed with that protection. In some ways, one could even go so far as to say that means that it is perhaps a little more difficult to deliver than it might be, but at least the quality of what consumers get is better. I think that is very important in terms of popular understanding that this is the right thing to do and you will not get ripped off; you will get decent stuff put into your home. So I think there is already a lot of consumer protection across the Green Deal, it is very valuable and I would keep it more or less as it is. There are certain things that could be adjusted. We discussed the golden rule earlier, but more or less it is about right.

Graham Stringer: Thank you.

Chair: Thank you very much—a very useful session for us.

Examination of Witnesses

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

Q305 Chair: Good morning, welcome to the Committee again. Such is the level of interest on the part of the Committee on this subject, our earlier session slightly overran. But thank you very much for coming in. I was told you would like to make a short opening statement?

Gregory Barker: If I may, very briefly, Mr Chairman, particularly as this follows on from your Committee's own inquiry. Firstly, I just want to remind the Committee that the Green Deal sits in our overall ambition for energy efficiency as a whole, for which the Department has four strategic aims. It feeds into our goals on increasing energy security. It is obviously part of our carbon reduction strategy. We have to balance that with the imperative of reducing fuel poverty, and more broadly, protecting consumers against rising energy prices. That is the context in which both Green Deal and ECO collectively sit. However, I would also remind the Committee that we have set ourselves the task, over the long-term, of creating a genuine market that is not reliant

exclusively on subsidy, that does increase from effectively zero at a level of self-pay, or at least a contribution, and we are creating a market that will involve some significant behavioural change as well as innovation.

Your report—and the last time I was before this Committee—asked us to be clear about our ambition and I think I gave you a target, through our measures or programmes, of improving energy efficiency of 1 million homes by the end of this Parliament. We will obviously thrash this out in evidence, but that is something that we are still committed to and, broadly speaking, remain on track for by March 2015. We currently have succeeded in installing measures through the combination of Green Deal, ECO and its supporting programmes in about 660,000 homes as of March. It is significantly above that in real time now.

Your report last year drew out seven key areas where you saw scrutiny of our programme as essential. We have been working on each of those, but top of your list was public awareness. We have very much taken that on board. We agree and I think part of the slower uptake at the get go of this has been the lack of advertising and marketing of the Green Deal opportunities. We anticipated that the private sector would drive that—the larger companies. I think, because they have been slower to come forward with their offers, there has been less private sector advertising than we anticipated in the early stages, so there is a need for Government communications. We have just launched—and this is the only show and tell I have for the Committee—our Government campaign, our biggest yet. It will run over June and July and then again in the autumn. This is running in national media. You might have seen it in newspapers; it is running in regional media. It is also running on targeted local radio. It is also going to be running, within a couple of weeks, on billboards as well in targeted areas. So we are stepping up to unprecedented levels for the roll out Green Deal, messaging around our Green Deal Home Improvement Fund.

The very early indications—it has only been going a week—are that it is proving extremely popular with over 1,700 applications already for the Green Deal Home Improvement Fund.

Q306 Chair: Thank you. The figure of 1 million, as I think your comments acknowledge—

Gregory Barker: Sorry, before I do that, I haven't introduced my expert colleagues that I have sitting with me. Perhaps they would like to do that themselves, starting with David Thomas.

David Thomas: Yes. I am David Thomas. I am the Deputy Director for Green Deal and Household Energy Efficiency Demand.

Chris Nicholls: I am Chris Nicholls. I head up the Green Deal and ECO analysts and economists.

Richard Mellish: I am Richard Mellish, Deputy Director for the supply chain.

Q307 Chair: Thank you. On the figure of 1 million homes to be improved by March next year, nine months away, I think you acknowledge that most of that comes from ECO or other policy initiatives. The number of actual Green Deal uptakes remains very low?

Gregory Barker: The number of Green Deal finance plans, you are absolutely right, remains very low, although interestingly we have seen an interesting pickup in growth in Green Deal finance

plans. In March, April we saw an increase month on month of 22%. We have about 2,500 plans in the pipeline now, is that right?

Chris Nicholls: That is right.

Gregory Barker: That is still very low and there is still not a real market there. I think this advertising in the Green Deal Home Improvement Fund will be a significant kick to that because although, yes, this does include a very attractive bonus or cashback, call it what you will, it does still leave an element where people will be required to make a contribution. For those that don't have the cash Green Deal finance is there to fill that bridge. However, I think what we are very clear is that we are about installation of measures, Mr Yeo. What is interesting is that the most successful part of the Green Deal market has been the Green Deal assessment. The Green Deal assessments have proved very popular. The customer satisfaction testing is showing consistent high levels of appreciation and satisfaction, people being prepared to recommend it to friends, family and so on. However, of the roughly 220,000 Green Deal assessments that have taken place only a relatively small number of those have translated into Green Deal plans. However, what we do know is that the very clear majority of people—our monthly reports are showing anything between 75% and the low 80% of people—are installing measures as a result of having a Green Deal assessment. So the Green Deal market, the fact that you have approved an assessment that comes with recommendations, that there is now an increasing trust in the Green Deal brand and in the installers who are accredited by the Green Deal, approved by the Green Deal market, that is growing. The financing element is still very immature. The principal reason, I think, why the financing element is immature is very few of the major energy utilities offer it in a real sense. The growth is coming from the new entrants who have a genuine business model that earns them money by helping people save money on their bills.

What we have seen is that over the first year or 18 months of the life of the Green Deal all the attention from the big energy companies has been about delivering ECO. Green Deal has been at the margin of their proposition. That is not how we anticipated the market would grow. What we have been really astonished and impressed by is the growth now, albeit it has taken a longer than simply firing a starting pistol, of the entrepreneurial dedicated energy saving companies that are now springing up both regionally and nationally, and that is really encouraging.

Q308 Chair: This Committee is very supportive of measures to promote energy efficiency and we regarded the concept of the Green Deal as excellent. It had lofty ambitions, very desirable aims, but on the definitions that were originally envisaged, it is hard to say it has been successful so far. In fact, it is hard to say it has been anything other than very disappointing.

Gregory Barker: If you are talking about finance plans, but I think all of us would agree the aim of the Green Deal is not to sell finance plans. There is no intrinsic merit in selling finance plans. The Department of Energy and Climate Change does not have as its KPIs anywhere how many finance plans we sell. We are in the business of improving the energy efficiency of the housing stock of Great Britain; we are not in the business of simply saying, "Success for us is selling finance plans." Finance plans are a means to an end. Now, if the ends can be reached by other means that are acceptable to consumers, because they choose to self-pay rather than take a plan, that has to be, by any objective measure, success.

Q309 Chair: Are you saying that outcome so far is in line with the Government's original expectations?

Gregory Barker: In terms of our expectations of installed measures, yes, it is. We are broadly on track to see that million homes benefiting from installations. There are more measures than homes.

What we are surprised by is the relatively low take up to date of finance plans and surprised by the number of people who have been willing to pay for the measures themselves, which they haven't been in the past. But we still see the growth of a finance model to support the pay as you save market as an important part of this transition from reliance exclusively on subsidy only fully paid for provision to a genuine market in energy efficiency products.

Q310 Chair: In your opening remarks, I think you were going to identify the need for more publicity, hence the campaign, and also disappointment with the participation of some of the big energy companies. Those suggest that there are some flaws in the implementation of the scheme so far that you are now trying to address. Are there any other areas where you think there has been a failure and where an additional new action could have an effect?

Gregory Barker: Again, I think the language is important. Fundamentally, what we are talking about is a market rather than a scheme. Because there are many moving parts to this, some of which will be permanent and some of which will have a finite life. But the Green Deal market, the brand, the trust and the overall governance is the enduring element to it, as is, we hope, the opportunity to attach finance to electricity bills.

We are addressing the advertising and marketing. I think we obviously want to see more innovation in products. I would like to see more products through innovation be added to the list of qualifying technologies. I think it is important that the Green Deal continue to drive innovation and that the Green Deal process is permissive to innovation. So I think that happens once a year, but it is very important that that comes through, because I think that is the most exciting part of the market.

Q311 Chair: Is the fact that we are now seeing more cashback and incentive schemes being introduced a sign that the market is not functioning as you originally envisaged?

Gregory Barker: We always intended to have a cashback. As you know, it has been a long time coming and this is not a bolt from the blue. We have always intended to support with measures which we announced last year. I think I have been surprised that the energy companies haven't embraced this more—and energy companies, there is a difference between them—enthusiastically. But with hindsight, I think you can that ultimately innovation is more likely to come from the smaller more entrepreneurial companies than the very large utility scale companies that have a model of making money through selling electrons or heat.

Q312 Chair: A specific point that concerns a number of our constituents, why does the Green Deal Home Improvement Fund exclude off-mains gas, rural homes from being able to upgrade their boilers?

Gregory Barker: It does not exclude people off gas grid; it does exclude oil-based boilers for that. There is another scheme, the renewal heat incentive that offers generous help to people who wish to switch from oil to clean energy. But the Green Deal is not there to perpetuate oil dependency.

Q313 John Robertson: Maybe I am missing something here, Minister. Are you telling us that you are taking credit for work that is done outwith the Green Deal due to the fact that somebody has maybe asked for an assessment from Green Deal. So are you taking the credit for anything that is done?

Gregory Barker: I do not know if “take the credit” is the right word, basically anything that stems from a Green Deal assessment must be counted as part of the Green Deal market.

Q314 John Robertson: How do you know it stems from a Green Deal assessment, or that the Green Deal assessment is not just one of a number of quotes they have been getting anyway?

Gregory Barker: We do our customer insight research on a quarterly basis—quarterly, monthly?

Richard Mellish: We do it about every quarter.

Gregory Barker: Yes, quarterly, which is quite independent and quite detailed.

Q315 John Robertson: So that is after the assessment, you will go back to that person and ask them what they did?

Gregory Barker: Yes.

Richard Mellish: A sample.

Gregory Barker: A sample, yes.

Q316 John Robertson: So the ones that it was done as a result of the assessment and not because you wanted the work done anyway?

Gregory Barker: Do you want to talk to this?

Richard Mellish: No, we know who has had an assessment. Each assessment is lodged on the system and we know each individual property that has had an assessment and the surveying we do is based on taking a sample of the people who have had those assessments done.

Q317 John Robertson: A sample, right, okay. If I was wanting some work done in my house, I would ring round a number of people to find out exactly how much it would cost me. I may even got to the Green Deal—

Gregory Barker: You are mistaking, Mr Robertson, quotes with the Green Deal assessment. A Green Deal assessment is not a quote. A Green Deal assessment identifies the work that you need to do and then we would encourage—it does not always happen—people to get several quotes to do that work.

Q318 John Robertson: So what you are saying there is you encourage people to go somewhere else other than the Green Deal for a loan?

Gregory Barker: No, are you talking about quotes to undertake the work or quotes for the finance?

John Robertson: You are going through the system at somebody's house and you assess the house for what is required. At the end of the day, that person can take up the Green Deal offer to try and get a loan for that and fill out the forms and so on, yes? That is falling down at the moment.

Richard Mellish: The comparison we have used previously is that the assessment gives somebody a prescription, which they can get from the doctor and take to any chemist, so the assessment tells them what they could have done and then they can contact registered Green Deal companies to be given quotes. We have always encouraged them to go to two or three.

Gregory Barker: Basically, the Green Deal assessment—do you have an assessment form to hand? The Green Deal assessment will basically outline the measure that—this is the latest Green Deal assessment form; this will advise you what your particular property should have and then we would recommend that you get three quotes from a Green Deal installer/provider. Now, whether people choose to finance that through Green Deal finance is up to them. If they can get more competitive finance—very few can—good luck to them; that is great. Obviously, the best source of finance is to fund it yourself because you get the benefit of the savings immediately. That is what a lot of people are choosing to do.

I do not know if you have had a Green Deal assessment, but it is a very personal process. A lot of people start out with the idea that they will take the finance, but when they sit down and have it explained to them and they see the savings available—somebody at their kitchen table taking them through it over an hour or so—they appreciate that the benefit of taking finance is marginal compared to the benefit of paying for it all up front and getting the savings immediately.

Q319 John Robertson: So what you are saying, I think, is that you are supplying a service to people to explain exactly how they can improve the efficiency of their home. At the end of the day, they can go to anybody they like to get it if they can—

Gregory Barker: They can go to anyone they like; they do not have to go to a Green Deal installer, but what we are encouraging them to do is to use accredited Green Deal providers and installers and there are different ways in which they can pay for that work. They can pay for it themselves. They might be entitled to some ECO funding. They might be entitled to a feed-in tariff. They might be entitled to the Renewal Heat Incentive. They may choose to fund any balance with the Green Deal finance plan. There may be elements that they want to have, which are not covered by the Golden Rule but would still be sensible, in which case they will need to find other sources.

Q320 John Robertson: My point is that they would not ask you to come to their home if they were not wanting to do work anyway. They probably have a good idea of what they require themselves before anybody comes into their home. Your representative appears and they give them exactly; it might be more, it might be less. But should you be claiming the credit for it?

Gregory Barker: I don't understand what we would do. We certainly are not going to take up—

Q321 John Robertson: You just said, "We know the uptake is terrible." You said that. The uptake compared to the number of people that are visited is ridiculous.

Gregory Barker: But people are not going to take out finance plans unless they want it. Your argument equally applies to return on your investment as it does to someone taking out a finance plan.

Q322 John Robertson: You are changing the goalposts, aren't you?

Gregory Barker: No.

Q323 John Robertson: You are now trying to invent something that makes the deal look good and I find—I am not saying you are wrong, but I am saying is you are changing your parameters in how you are measuring it.

Gregory Barker: No. What is absolutely true is that personally I expected the Green Deal finance element, which is the most novel part and required the maximum legislation, to have proved to be more important than it has turned out to be to date. The goal of the Green Deal is to install measures and retrofit homes. It is not simply to sell finance plans. If people are choosing to self-pay rather than use finance plans in the quantities that we assumed that they would, that is for the consumer. The question is: are measures being installed? I still think—

John Robertson: I accept what you are saying—

Gregory Barker: I still think that having—

Q324 John Robertson: I still think you are changing your parameters for these things. These were supposed to help people; in many cases help people who maybe could not get the loan to be able to do the extra work. It seems to me there is a change in what you are saying. I am not saying it is wrong. I am just saying it makes it very difficult to compare what was being said before and what you are saying now.

Gregory Barker: I do think there has been historically an over focus on Green Deal finance plans. It has been the end-all and be-all of what Green Deal is about. The Green Deal must be judged on the number of measures that it manages to mobilise. I would agree with you that we had expected more of the finance plan or the finance plans to play a larger role in mobilising those

installations. It has not. I still think, personally, that if we are going to create a genuine market and get beyond subsidy loan that we will need finance plans, and we need to continue to iterate, to make sure that there is a pay-as-you-save finance model available widely, not just to those who—

Q325 John Robertson: I am not saying that. So these things have to evolve, I appreciate that. But the fact of the matter is your Department and your Ministers made the parameters at the beginning and they talked about the money. So, if there is an error, the error has been the Department's error. It has not been the members of the public.

Gregory Barker: I do not agree with the way that you are framing it. Are we surprised—surprised is probably not the right word. Did we expect more people to take finance and less people to self-pay? We did. As it turns out more people are convinced by the attractiveness of the Green Deal offer and so are saying, “I want all of the savings immediately and I am prepared to fork out my cash for it rather than go through the Green Deal savings model.” Of the first year, did I expect different ratios between self-pay and Green Deal finance? I did. But do I think in the long term we are still going to need Green Deal finance if we are going to go—because we are still only scratching the surface with 1 million homes. We are still in the shallow end of the challenge.

Q326 Dr Whitehead: Could I drill down more specifically to the 660,000 homes that you have said have now had some measures installed as a portion of the million homes that you suggested would be the target by 2015? Of that 660,000, I presume a proportion are actual installations that we know about because they have taken Green Deal finance out or otherwise have notified an actual measure, and the vast majority are estimated?

Gregory Barker: No. The 660,000 are all measures that are verified. Above and beyond that, there are measures that we have no way of—

Dr Whitehead: Through a sample survey—

Gregory Barker: That is a very important point, let me explain: 660,000 measures are measures that are absolutely verifiable. We can only include in our official statistics those measures that either have a finance plan, some element of a Green Deal cash back attached to them, or an ECO installation that is accredited. Beyond that 660,000, is a further element, which are not what you might call sufficiently robust in order to put into an official statistic. If you were to extrapolate, as you suggest, Mr Whitehead, the figure would be—call it 70% of 220,000, we would be closer to 800,000.

Q327 Dr Whitehead: Almost there, wouldn't we?

Gregory Barker: We are almost there, yes. But we are not claiming that. So the numbers who self-pay are not included in our official stats. We would like to get to a point where we had more robust data, so we could include people who are self-paid for measures following a Green Deal assessment because that would be fair. But, to go back to Mr Robertson's point, we claim credit in the broadest terms for it, but they are not included in the statistics.

Q328 Dr Whitehead: These are measures that have been undertaken, as you say, under either Green Deal finance or cashback or ECO—

Gregory Barker: Or partial.

Q329 Dr Whitehead: Or partial, a bit of both.

Gregory Barker: Or partial, a bit of both, yes.

Q330 Dr Whitehead: A bit of a difference in some of the original estimates, was it not?

Gregory Barker: No, we are being cautious. The 660,000 is a very conservative figure. It does not include—

Q331 Dr Whitehead: What I am saying is everything that could conceivably be thought of has been thrown into that figure?

Gregory Barker: No, on the contrary.

Q332 Dr Whitehead: Whereas originally the suggestion was a much larger number under the Green Deal as such.

Gregory Barker: No, on the contrary. We are excluding those who have self-paid, so there is probably another 150,000, 160,000.

Q333 Dr Whitehead: There is no stopping at that point is there because you can have people who might have thought about a Green Deal once upon a time but have not taken an assessment out, but have had something done?

Gregory Barker: No, I am talking about people who have had an assessment and then installed measures.

Q334 Dr Whitehead: I am just trying to get a bit of a boundary on what the original thoughts were about this and what is now being suggested as a—

Gregory Barker: There is a flaw in our methodology, which is that we can only track someone that either takes out a plan or benefits from Government subsidy or scheme. We do not yet have a sufficiently robust methodology that allows us to count somebody that installs measures as a result of—through a Green Deal installer, having had a Green Deal assessment, if they have only

used their own money. We can make an estimate of that but they are not included in our official statistics. That is a flaw; that is something that we would like to address, but we do not yet have it in our figures and we are not counting it towards them.

David Thomas: Perhaps I might also just clarify something, if it is helpful, which is that the million that the Minister, and I think I did as well, talked about this time last year, that number is the number from the Green Deal and ECO impact assessment. So that number has been there since we launched the policy, just to be clear. It is not a number that we invented this time last year either. That is one from back when the impact assessment was done. Times have changed slightly, exactly how all these things work out, but that number that we are still targeting is still the same number that we had back when we did the impact assessment.

Q335 Dr Whitehead: But the impact assessment did not say that was the target though, did it?

David Thomas: If I remember correctly, you also recommended that we should not be having targets. You are quite right to correct me; I use the language somewhat loosely. In the most general sense of the word, we are aiming towards trying to get those.

Gregory Barker: So if we meet the million target, which we are broadly on track to do, that will be a million measures that are directly touched by Government policy. In addition, we would expect there to be several hundred thousand measures on top of that, which have been installed as a result of people taking the Green Deal assessment, paying for them, but which are not captured directly in those figures. We fully accept that we would like to have better dataset on those figures, but it is, by definition, hard because people are not required to then come back and say what they have done.

Chris Nicholls: If I could just explain a little bit further about the survey that we have undertaken and the statistics. The statistics, as the Minister was saying, are provided to us on the basis of a DECC policy framework, so it will count ECO-related measures and all of the Green Deal finance, Green Deal Home Improvement Fund, and so on. Then the survey that we undertake with a sample of the households who have a Green Deal assessment, this is called the customer journey, and this is undertaken in tracking the households. We ask them, "Of those assessments, what have you done with that assessment? Have you moved on to install a measure? Are you intending to or are you not intending to?" That figure is 76% for those who are intending to or have installed. Of those who have installed, it is about 60% in the last quarter and so the remainder are those who are intending to.

Q336 John Robertson: When you ask that question, do you ask the question of how many of them would have installed without the assessment?

Richard Mellish: We do have information on that, so we ask if they are intending to have installed the measure, had they been thinking about installing the measure that they had installed before the assessment? There is a range, depending on the measure. But, for instance, with solid wall insulation, 70% of households who had solid wall insulation installed had not been considering this improvement before they had their Green Deal assessment. It drops away. If you look at boilers, which as you can imagine is more of distress purchase, the number is going to be

quite a lot lower, but certainly 70% solid walls following the assessment were people who probably had not thought about it before.

Chris Nicholls: We also asked the households how they paid for the measures and that was split. Approximately two-thirds have some element of ECO subsidy, so they have not paid for their measures. The remainder have had some element of public finance, so through cashback or some of the other initiatives. So we are doing further work to try to strip out those households who fall under the DECC radar of policies, so that we can come up with a much more robust estimate for the Committee on the amount of private finance that we are just not picking up.

Q337 Sir Robert Smith: Earlier, Minister, you mentioned that in rural areas like-for-like fuel was not going to be recognised for boiler improvements, so if you are on the gas grid, you can stick with gas but have a more efficient boiler, but if you are reliant on oil or LPG, you cannot have a more efficient boiler, you have to switch to a new system of heating your home. How much difference does the consumer know?

Gregory Barker: There are other avenues though for people in fuel poverty to get heating assistance. The Green Deal is about saving carbon emissions primarily. It has other benefits as well, helping people to control their bills, helping improve their homes. But carbon emissions are an important element of it. A highly efficient modern gas boiler is a good way to reduce emissions from the home as a medium-term step. We would be very loth to use this scheme to lock in higher emitting technologies like oil, and that is why we recognise the difficulties for off-gas grid customers. Certainly, they can take advantage of all the other measures—solid wall insulation, for example, very important in rural areas—and a whole host of other insulation measures, which is the lion's share of the Green Deal. I can see the arguments in favour as well as against. It was a balanced judgment that we reached. There is the RHI and there are—

Q338 Sir Robert Smith: How much would your customer have to contribute to the—how much benefit do you get from the RHI and how much are they likely to have to fork out for themselves to access the RHI?

Gregory Barker: It depends. If they are in social housing, for example, they are unlikely to have to pay anything because many social housing landlords are aggregating this and offering the RHIs to their tenants. If you are in owner-occupied accommodation, you own your own home, you will benefit from the RHI tariff, which will help you finance the installation.

Q339 Dan Byles: Minister, given your point that you expected higher take-up of the loan element of the finance package, are you worried that there are certain elements of the way it has been put together that might be putting people off taking it? Are you confident that it represents a good deal for a wide enough spectrum of people?

Gregory Barker: It certainly represents a good deal. The interest rate to which there has been a lot of political debate continues to represent a sensible choice for people, particularly those who have limited credit options. There are a few lower interest rate personal loan products in the market and if you can get that, good luck to you, but for the majority of people, and Green Deal finance is available to the vast majority of people, it represents a sensible choice.

Q340 Dan Byles: But is it a good deal for the vast majority of people?

Gregory Barker: Yes, that is what I mean.

Q341 Dan Byles: It has been made to us that it is a good deal for a niche group of people who cannot access more affordable—

Gregory Barker: If people can access cheaper finance—obviously, the cheapest form of finance is self-finance—then they should take it. We are not ideological about it. The finance is there to be helpful and supportive. The biggest single reason that people have not been taking it up is it has not been offered by the major energy companies. They have not had a Green Deal proposition. If people are not offering it, then it is very difficult to take it up.

Q342 Dan Byles: So you do not have any concerns that if quite a lot of people are doing Green Deal assessments and going on to do something, but a relatively small percentage have taken the Green Deal finance—and the Green Deal finance is more aimed at people perhaps on lower affordability—but Green Deal as a whole, if that is being taken up by wealthier people who might have less need of it, so there is perhaps missing or passing by some of the more deprived people we should be trying to help first.

Gregory Barker: There is the ECO money that is there, and will continue to be there. We have extended the ECO scheme out to 2017 and that is very clearly primarily targeted at the fuel poor. We have stepped up our efforts with the launch of the Green Deal community initiative to roll it out street by street, which I have always maintained is the way that ultimately we are going to crack this.

Q343 Dan Byles: You mean more efficiently as it goes into a street and say, “We are going to do everyone’s boiler who needs it,” or whatever the needs are.

Gregory Barker: Exactly; where you have a local authority-backed scheme working invariably with a private sector partner, where you are offering the same improvements regardless of tenure to all the residents in a particular given area—not a mail drop to a whole town, but coming in with show homes, so people can see what it looks like in a house like theirs, in a street or in the next street. They can go in, talk to someone that they may know and directly or indirectly get a referral. Where that has been rolled out—and the critical thing is it still has to be a decent product; you cannot just roll out a poor product and expect good take up—but where it is a good product, we are seeing up to 90% or more take up. I am certainly seeing in Worcester the company called Westdale rolling out across mixed tenure in an area of semi-detached houses primarily, some terrace, some detached.

Q344 Chair: I just want to drill in a bit more though about this reason of why. We have been led to believe by a number of people who have given us evidence that there is a perception that the Green Deal finance package does not represent a good deal for a wide swathe of people. I accept there are

a group of people for whom it probably does. For example, British Gas said in their written evidence to us, “We found that homeowners have high expectations regarding finance and are therefore disappointed when they have further details. The financial package is not perceived to be competitive and lacks the flexibility and control of a standard homeowner loan.” So notwithstanding what you said before, have you undertaken any or do you plan to undertake any research into attitudes towards the finance and the view people take to the finance and whether there is a way, perhaps it is being misunderstood, that it can either be improved or that it can be explained?

Gregory Barker: I am sure it can be improved. In fact, it has undergone several iterations and will continue to undergo iterations. You have just had the Chief Executive of the Green Deal Finance Company in here, and he will probably have spoken to you about the improvements, trying to make it easier to access, less bureaucratic for the Green Deal provider, improving the software, getting a better balance between customer and consumer protection, and simplicity of offer and ease of taking it up. So I have no doubt that that is there. As I say, the end-all and be-all of the Green Deal is the number of installations that we manage to mobilise. How many Green Deal products have been installed? How many homes have been “Green Dealed”?

If in the course of that, other people sell their finance packages, people self-fund, take advantage of government schemes, they use the Green Deal communities funding, I am agnostic. I still believe that an important point in the decade to come will be the availability of low-cost finance that can be attached to the meter—once we get beyond the early adopters and the market comes to understand—will be an important factor. I am certain there are things that we can continue to do to make it more attractive, but essentially does it represent, which is the thrust of your question, good value for most people? I think it does.

Q345 Dan Byles: A particular sticking point that has been raised by a number of people is around the Golden Rule. Now I entirely understand the principle behind the Golden Rule, but there are some concerns that that is quite an inflexible barrier to something some people want to do. Examples have been given is where people want to do some more ambitious and expensive low carbon refurbishments that the Golden Rule prevents them from being able to do under the Green Deal. Do you have any plans to make it look at whether there is any additional flexibility that can be brought in on that side?

Gregory Barker: Be flexible, but we are not going to break the principle. You do have companies that these would primarily come from, big energy companies.

Q346 Dan Byles: Nick Eyre from the University of Oxford, not a big energy company, said, “The problem with the Green Deal as a loan programme is that the operation of the Golden Rule precisely prevents it from supporting some of the more ambitious and expensive low-carbon refurbishments that we will need in the decades as we move towards 2050”.

Gregory Barker: Unfortunately, if you did that you would not have a pay-as-you-save model. It would just be pay. The Green Deal finance element, which is not the end-all and be-all of the Green Deal market—it is an element to allow people to pay—is based on trying to create a pay-as-you-save model. It is not pay-as-you-save if it becomes more expensive than the projected savings, which is basically what the Golden Rule says.

Q347 Dan Byles: Could you imagine having a more flexible bit where somebody chose to tick the box there, and I am happy with the idea that I am not necessarily saving more than I spend, but I would be happy to use a Green Deal to part fund this ambitious thing.

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

If people want to go on and install measures, which is fantastic if they do, and want access to finance, that we want to be as helpful as possible. So the Green Deal Finance Company is looking at how they can offer top-up loans, for example, and have been—David, do you want to say something?

Q348 Dan Byles: So these might allow you to bust the Golden Rule, these top up loans?

Gregory Barker: They will not allow you to bust the Golden Rule, but they will allow you to do things in addition to it but without encumbering the purchaser of the property in the future with payments that outstrip the notional savings.

Dan Byles: I understand what you are saying.

David Thomas: It is also worth bearing in mind this is a programme in the round, so in addition there is the Green Deal Home Improvement Fund and that has been set for solid wall that you would be expected to contribute about 25%. That is the sort of amounts that you might well be able to finance through a Green Deal finance package, so yes, the Golden Rule does not then cover the whole of the rest, but you are able to cover that rest because of the money that is available from Government, so at least this is designed to work together.

Q349 Dan Byles: There are some people who, I understand, are put off by the prospect of the whole 25 years of the loan as well. That seems quite an inflexible measure. Is it not possible to bring in more flexibility on the length of the loan?

Gregory Barker: You could certainly do that. That would not break the Golden Rule necessarily. It would depend on the measures.

Q350 Dan Byles: The reason the Golden Rule makes that difficult is obviously, to pay it back in half the time, you are paying more, so on an annual basis, you are not saving so much.

Gregory Barker: It depends on the measure. There are some measures that are desirable, double glazing, but are quite tight to fit into the Golden Rule. There are other measures, cavity wall insulation, which are relatively cheap and have a big payback, so it depends on the measure itself. But we want to be as flexible as possible. The Green Deal Finance Company has shown a good degree of flexibility, and listened to the market. We are all on a journey over the last year. We have created something that had never been done before. We are creating a market for energy efficiency products, trying to be as permissive as possible. Of course there is lots of learning, we will carry on learning, but what we are seeing come through is the value of a trusted

brand, the Green Deal, the advice report, and the accreditation of installers and providers, is showing real value.

Q351 Dan Byles: The top-up loan scheme, would that enable people to use Green Deal finance for other schemes such as the Renewable Heat Incentive?

Gregory Barker: We cannot do that currently. I would very much like to do that. It is a priority of mine and it is a resource issue, to a certain extent at the moment. I would like to change the regulations, so that you will be able to count not just the energy efficiency savings, the absolute reductions in your bill, but also either the FIT payment or the RHI payment towards the Golden Rule. That would make a very big difference. When we do do that, that will also change the dynamics.

Q352 Dan Byles: Can you give us any timeframes on that sort of work?

Gregory Barker: I do not know if I can. Next year is when we are likely to be able to—obviously, there is a little bit of an interruption next year, but we will see.

Dan Byles: I am sure it will be a very minor change.

Q353 Sir Robert Smith: One of the concerns by some of the witnesses was that the marketing advertising campaign the Department undertook was too little and too soon.

Gregory Barker: That is good because we are now bigger and later.

Q354 Sir Robert Smith: So you are going to have another go with your poster?

Gregory Barker: Yes, just to reiterate. I have to say I am biased, but this is by far the best. It is very simple. It does what it says on the tin. It is driving a cashback—

Q355 Dan Byles: What portion of people might get the full £7,600, or do you risk upsetting people when they look at it they can only get £500?

Gregory Barker: If you go for solid wall insulation, you can very easily get up to £6,000 and you get £1,000 for the two measures, so you can very easily put solid wall in and one or two other measures, you are already up to £7,000. What we are also going to do is pay for people—make a contribution towards their Green Deal assessment. That came back from the market. Then there is the home movers' bonus. We said we wanted to make this attractive for people paying stamp duty and so we are giving an additional incentive to people who are moving home or have moved home in the last 12 months to put the measures in.

Q356 Sir Robert Smith: But with hindsight, do you think the first advertising campaign did not realise that the actual supply was not there? If you are going to advertise a product you need the supply ready for the people who get hooked and the early adopters. Do you think it would have been better to have waited to see the establishment of Green Deal?

Gregory Barker: It is the chicken and the egg. The interesting thing is that all of the early take-up of the people taking the Green Deal Home Improvement Fund, the majority—I think I am right in saying this—have come from the smaller guys from the entrepreneurial companies, not from the big energy companies. This is consistent with what I have been saying for the last year, that contrary to what we thought, which would be instant big bang offer from the big utility companies, they are dinosaurs when it comes to the Green Deal of varying degrees. Some are better than others. But the people who are getting their teeth into the market and offering fantastic consumer service and innovation in terms of product and business model are the smaller companies coming into the market.

Q357 Sir Robert Smith: What do you think is going to tip the bigger companies into getting interested?

Gregory Barker: I do not know if they are capable of change. I do not know if they fundamentally have a business model to make money from selling less of their product to their customers. They are very good at and very driven by fulfilling their legal obligation on ECO, but I am not at all certain that they have their head round—certainly if you look at British Gas, for example—how to offer a comprehensive Green Deal offer to its customers. They stopped offering it for a while. They are now offering it again but it is very much based around boilers. I had thought that there would be a more comprehensive listing offer being able to be a one-stop shop. That is proving not to be the case. Others are coming in, but that is the nature of competition and market.

Q358 Sir Robert Smith: Because the vision is to have heating and lighting companies to heat and light your home at the most cost effective way.

Gregory Barker: Yes, absolutely. Because it is a market we see this sort of evolution. There are still a lot of opportunities for new entrants to come into this market, but scale is an advantage and very few of the new entrants have that scale yet.

Q359 Sir Robert Smith: This latest advertising campaign, do you have any metrics for how you are going to assess its success?

Gregory Barker: I think 1,700 applications in the first week is judged by any metric to be encouraging.

Q360 Sir Robert Smith: On another way of trying to tie people in, the Big Energy Saving Network, how is that doing?

Gregory Barker: The Big Energy Saving Network, do you want to say anything about that?

David Thomas: The main focus then is typically around the autumn as people get ready for winter.

Q361 Sir Robert Smith: Is that not too late?

David Thomas: Sorry?

Q362 Sir Robert Smith: Is autumn not too late to get ready for winter?

David Thomas: There is a traditional heating season. We will be toning down our advertising campaign just a tad. Over the summer holiday months, people tend not to think to have a call to action to lag the loft when they are sitting on the beach. But the moment the leaves start to turn in September, while it is still relatively mild, that is typically where you will see when the private sector start to market these things, and obviously they know what they are doing. So we will be mirroring that.

Q363 Graham Stringer: Can we just go back to the non-replacement of LPG boilers and heating in rural areas that are off the gas grid? Have you made assessments about what carbon savings would be made if these boilers were replaced with currently the most effective boilers of the same generic sort?

Gregory Barker: Not that I can share with you off the top of my head. I do not know if any of my officials have—

Q364 Graham Stringer: It just seems a very brutal decision if you do not know how much carbon saving could be made.

David Thomas: The complication the Minister said earlier is that there is a distinction between the on-grid market and the off-grid market. So by in large it is not cost-effective or sensible to be installing a ground source heat pump if you live in south-west London or in a metropolitan area. The sensible thing to do there, from any perspective, if you have an old boiler is to upgrade it to a new gas boiler. The Department's heat strategy suggests that in the medium term that is the safest way forward, while of course we are also looking at district heating.

In rural areas, there are these other renewable heat options, which are promoted through the Renewable Heat Incentive, and there is this question therefore of what is—there are options in the off-grid area, which are not there or are sensibly not there for the on-grid installer and therefore you are trying to think about, "What is the most sensible thing for the Department to be encouraging off the grid?" If we are trying to get to carbon savings, is that moving from an oil boiler to a more efficient oil boiler, which of course is going to save some carbon, but as often as we see with boilers probably that boiler is going to get replaced at some point anyway. We have building regulations that require people, when their old boiler breaks down, to replace them with

a more modern boiler. Or do we want to move more quickly towards a low carbon economy, which is where the Renewable Heat Incentive is trying to direct attention.

Q365 Graham Stringer: I understand the logic, what about the figures that I asked for?

David Thomas: I do not have them to hand.

Chris Nicholls: We can provide some figures on the energy savings from off-gas.

Q366 Graham Stringer: I was asking about carbon. Your justification for leaving these people without boilers—

Gregory Barker: Mr Stringer, there are other fuel poverty elements. The Green Deal is about shifting people to a low carbon form of living. There are other forms of help for people.

Q367 Graham Stringer: I understand that. Part of the logic is how much saving you would get by doing a replacement or putting in ground heat pumps or whatever. I was just simply asking for the figures.

Gregory Barker: We will make sure that you get them.

Q368 Graham Stringer: I do not know what the carbon savings would be and whether—

Gregory Barker: We will have looked at those but I do not have them off the top of my head, I apologise. We will make sure that you are supplied them.

Chris Nicholls: Those figures are embedded within the modelling environment in which we produce the impact assessment modelling, so we have a simulation of—

Q369 Graham Stringer: I am sure they are; I just wanted to know what they are.

Chris Nicholls: I do not have them off the top of my head.

Q370 Graham Stringer: Some of the heat pump figures when the Committee has looked at them previously have not completely stood up and there have been changes in targets. It is good to know what the actual figures are, while there are alternatives when people have not been allowed to have the boilers replaced. What is your latest estimate of the annual cost of ECO?

Chris Nicholls: The current cost of ECO we have estimated on the evidence that has been provided to us by the energy companies, but also with the evidence provided from observing the ECO brokerage. The evidence that has been provided to us by those two sources suggests that in

its previous legislated form, because we have not yet changed the regulations, was around £1.4 billion per annum.

Q371 Graham Stringer: NERA consulting did not agree with you, did they? They estimated at the end of 2012 that it would be £2.35 billion. Have you done an analysis of their estimates, so that you know why there is £1 billion difference between—

Gregory Barker: It is very clear that it has not cost £2.2 billion. We have seen that with the autumn package and the reduction in the cost of policy. We have had some evidence now. That figure £2.2 billion in 2012 has been shown not to be correct and the DECC modelling of our original impact assessment has been proved to be the most accurate of any assessment that there was, and the report that you are referring to was shown to be very wide of the mark and, to a certain extent, scaremongering.

Q372 Graham Stringer: What figures do you have then?

Gregory Barker: That was before ECO was live.

Q373 Graham Stringer: That report was November 2012.

Gregory Barker: Yes, and we now have real experience and the energy companies, more to the point, have real experience of delivering that. Obviously, you will recall that last November we brought the energy companies in and we discussed a package of measures on policy and their delivery of how much it would cost and the impact on consumer bills, in the light of their very real experience of what it was costing to deliver and our ambition to drive ECO forward. The broad numbers, because obviously it will differ for individual companies, so more efficient at delivering the ECO obligation than others, show to be more or less, broadly speaking, in line with DECC impact assessment and certainly not the 2012 study that you have referred to.

Q374 Graham Stringer: That experience was over what period of time?

Gregory Barker: Over the previous year.

Q375 Graham Stringer: So a whole year?

Chris Nicholls: This is over the whole operation of ECO to date.

Q376 Graham Stringer: So you are happy with your £1.4 billion estimate still?

Gregory Barker: Yes. It is a slightly moving feast, but we have shown that we modelled it accurately.

Chris Nicholls: If I could just clarify the different figures, the £1.4 billion is an annual average. We know that during 2013 the energy companies delivered less than that portion of the obligation to March 2015 than would be indicative with an even balance of costs. So there would have been an additional cost observed in 2014 and 2015, but consequently the cost in 2013 was lower than the £1.4 billion. As an average of those two periods, the market would have been observing £1.4 billion cost.

Q377 Graham Stringer: The rise that took place in the second year, do you expect that to continue or will it go back down to a lower average.

Chris Nicholls: This rise would have been the case had we not changed the UK regulations.

Q378 Graham Stringer: Let us move on to the change in ECO. Why did you include the easy to treat measures in ECO when your original impact assessment had suggested you would not?

Chris Nicholls: There are number of reasons. There is the cost of the CERO component in ECO. That is the Carbon Emissions Reduction Obligation was more costly than we were assuming, and the pressure was put on to Government to do something about the higher costs of this particular scheme. We also know that some of the energy companies were delivering CERO, in particular, at higher costs than other energy companies, so some of those companies were putting greater pressure on Government to make some changes to be able to reduce the cost of the CERO component.

Q379 Graham Stringer: Does that not then undermine the Green Deal because it means there will be more breaking of the Golden Rule?

Gregory Barker: Sorry, more breaking of the Golden Rule?

Q380 Graham Stringer: Not breaking of the Golden Rule; there were less qualifications to be precise.

Chris Nicholls: Some of the analysis that we have undertaken is to try to understand the impact on the changes on the Green Deal finance component, and you are correct, that by including low cost measures then this suggests that the households who would have otherwise taken out a Green Deal plan or other forms of self-finance to undertake the cheaper measures would now be able to get UK funding for those. However, we are, as we have mentioned earlier in the session, undertaking work to try to understand better that private finance component, so—

Gregory Barker: It is also fair to say in terms of the supply chain, the supply chain focus very strongly on ECO over the last two years and there was a lot of ECO work to be had for the supply chain. As a result, we did not see the innovation in terms of customer offering, in terms of Green Deal finance style propositions that we had expected because much of that supply chain naturally found it easier to offer wholly subsidised products to potential customers.

Q381 Graham Stringer: What is the strategy for the more difficult measures that will not qualify under the Green Deal?

Gregory Barker: The difficult measures that will not qualify?

Graham Stringer: Yes.

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

Q382 Dr Whitehead: Very briefly, you mentioned the supply chain issues that have been considered throughout Green Deal and ECO's journey. You mentioned that new players are coming in and new jobs are coming in as a result of those new players. What was the difference, in your assessment, between the jobs that were lost in the transition between CERT and CESP and ECO and Green Deal, and those that have been gained by ECO and Green Deal coming in?

Gregory Barker: The number of employed positions, do you mean?

Dr Whitehead: Yes.

Chris Nicholls: We have not made any formal estimate of any changes in jobs supported by the two schemes to date. One of the things we need to remember when making those comparisons is the rather lumpy nature of the delivery pattern. What we know from the observed installation of statistics is that there was a very marked upturn in the delivery towards the end of CERT and CESP, so that was very much a peak period. Since that peak period, the number of rating installations has fallen since then. It has picked up again towards the end of the last quarter. We will be making some estimate in due course with those job estimates, but we also need to get a better understanding of those self-financed installations to be able to make a more robust estimate.

Q383 Dr Whitehead: Are you discounting jobs that would have been in the pipeline or would have been ready to go that did not happen or were very short-term jobs during the peak period? I agree that the CERT and CESP peaked towards the end of its period of operation. Would you include those in jobs lost or not?

Chris Nicholls: We have not made the full assessment yet, but we would try to contextualise the figures when we do present them.

Q384 Dr Whitehead: A similar thing happened, did it not, with the supply chain that developed as far as solid wall insulation was concerned, when people thought that ECO was going to be ECO and

now ECO is not ECO, then that supply chain has not materialised, has it? Are those jobs lost or where are they going?

Gregory Barker: It is important to understand that a lot of companies switch across different product ranges. People may be employed in doing one particular element when responding to a particular demand, and it sucks in labour and then it does not—there is a degree of flexibility in the workforce. Why I am attracted so much and keep coming back to the need for the long-term development of a pay-as-you-save model, is because we have to develop a model of delivery that is not dependent exclusively on subsidy and short-term scheme, whatever Government is in power. The only way to do that is innovation to support genuinely sustainable either pay-as-you-save or self-pay model. I was seeing the self-pay model take off, more than I expected. This is the big surprise of the Green Deal model. Tens, if not thousands, if not more than that—people who are motivated to pay for these things entirely by themselves, and that is the big plus. The horse that has been slow to run has been the Green Deal finance model because most of those customers that we expected to take that finance opportunity have elected to pay for it themselves. But growing that market and that pool is important if we are going to have a genuinely long-term resilient supply chain.

Q385 Dr Whitehead: But I imagine if you were a company or an employee of an emerging supply chain, say for solid wall insulation, and then you no longer existed because the rules have changed at that point, you would not be particularly worrying about whether it came from the private purse or the public purse.

Gregory Barker: Your business model is still dependent on subsidy. We have a booming double glazing industry. The most popular energy efficiency product of all is double glazing. Anglian Windows do thousands of installations of double glazing a month. They are not dependent on a subsidy for installation. People go out and install that energy efficiency measure because it is deemed to add value—it is attractive; it is desirable—and that is where we have to get. We have to shift other products, like solid wall insulation, and why we have to work on it being an attractive customer proposition, not just something that is delivered like Erich Honecker's East Germany, in a one-size-fits-all model or take-it-or-lump-it local authority delivery model. You want to pull in innovation, pull in people that understand customers and to offer these products in the same way and with the same success that double glazing has been offered for the last two decades.

Q386 Dr Whitehead: Solid wall insulation, I think as you know, you are not ever going to be able to sell solid wall insulation by having a bloke opening and shutting a window and saying how terrific it is inside as a result of the solid wall insulation.

Gregory Barker: “Ever” is a very long term, Mr Whitehead. What you are seeing now is people liking solid wall for exactly the same reason that they like double glazing; it fits nice, because it has a rejuvenating effect on the home. People maybe initially pulled in for double glazing because of the perceived and actual energy saving benefits, but they look at solid wall. Then there are a lot of 1960s, 1970s, even now early 1980s, homes that I have seen that have been totally transformed and look like a brand new house as a result of external solid wall insulation, whole house makeover, and it is that that is going to be the pull through.

Richard Mellish: In the short term, the Home Improvement Fund has got that heavy slant towards supporting solid wall insulation, and a very large proportion of the numbers the Minister gave out at the beginning for the number of vouchers issued is for solid wall insulation.

Gregory Barker: But what we do need is further innovation, not only in the look and the quality of the customer, the price point, and I think everyone agrees that, as we scale up, we should be able to see that price point come down.

Q387 Dr Whitehead: Final thought: what is the plan as far as Green Deal assessors in rural areas are concerned? Do you think the fact that there appear to be so few of them that it is a bit like searching for whales in the southern Atlantic and people are charging around the country very long distances assessing, and that apparently is not going to change in a hurry? Is there a plan for that, or is that just how it is?

Gregory Barker: We have been clear: to support the market, we supported assessors with initial training to ensure that there were enough assessors out there when the market launched and we will continue to watch it. I share your concern about the availability of assessors in rural areas. We have established a working group that is looking at these issues in the round for off-gas grid customers, and we will keep this under review, but we want to make sure that the Green Deal is available across the country, not just in major metropolitan areas. We certainly keep this under review and the roundtable that we have that informs us about rural areas will comment on this.

Richard Mellish: The number of assessors, we call them advisers, the individuals, has grown steadily over the last 18 months. In April 2013, there were 1,274. In April 2014, there were 3,580, so it is not—I am looking at a chart here, which is too small to show you, but it is definitely continuing to go like that.

Q388 Dr Whitehead: But where are they?

Gregory Barker: Not in the South Atlantic.

Q389 Chair: Thank you very much for your time this morning. A very useful session.

Gregory Barker: Would the Committee like the poster or shall we take it away?

Chair: Yes, as it has been offered, we will have it. Certainly, it will be churlish to say no. Take a photograph of it and circulate it electronically.