



Energy and Climate Change Committee

Oral evidence: [Home Energy Efficiency and Demand Reduction](#), HC 552

Tuesday 17 November 2015

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Members present: Dr Daniel Poulter (Chair); Rushanara Ali; Glyn Davies; James Heappey

Questions 32 - 88

Witnesses: **David Princep**, Environmental Health Consultant, Residential Landlords Association, **Councillor Peter Fleming**, Leader of Sevenoaks District Council and member of the Local Government Association Environment, Economy, Housing and Transport Board, **Richard Twinn**, Policy Adviser, UK Green Building Council, **Steve Cole**, Policy Leader, National Housing Federation, and **Joanne Wade**, Director, Association for the Conservation of Energy, gave evidence.

Q32 Chair: Good morning and welcome to our witnesses this morning for our first hearing. Before we kick off, I think it would be useful if everyone could introduce themselves for 30 seconds. I am taking the Chair today because Angus MacNeil is stuck with transport issues due to the winds in Scotland, but for the second hearing Glyn Davies will be in the Chair as I have to be away on a personal matter. Before we proceed, it would be useful to have just a few introductory remarks from each of the members of the panel before the hearing starts. If we can keep it to about 30 seconds, though, please, that would be very helpful.

Richard Twinn: All right. I am Richard Twinn, Policy Adviser with the UK Green Building Council. This is a very broad area but I think the most fundamental point here is this is an issue of national significance that as such should be recognised as a national infrastructure priority. The important point for policy is that there needs to be long-term delivery ambitions set out and this needs to be eligible for Government capital investment. I think also in terms of individual policies there will be no one size fits all policy.

There are 17 million homes that we need to upgrade in this country and we are not going to do it through one mechanism. We need regulations, incentives and financial mechanisms that are designed for specific parts of the market, different sectors and different household circumstances. Finally, there also needs to be cross-governmental support here. As an infrastructure priority it stretches across Treasury, Department of Health, CLG, not just DECC, and it needs that sort of pan-government buy-in.

Joanne Wade: I am Joanne Wade, the Director of the Association for the Conservation of Energy so I am representing the energy efficiency supply chain. Our concern is to make sure that the demand side gets given due consideration in the energy policy reset and the development of our energy infrastructure. We are also very concerned to ensure that going forwards policy is predictable: not necessarily stable—it has to be flexible—but predictable, so that the industry has confidence to invest and we have a robust market development and a robust energy efficiency supply chain.

Councillor Fleming: Good morning. I am Councillor Peter Fleming. I am a deputy chairman at the Local Government Association. We believe that councils are probably best placed to tackle fuel poverty in particular and increase the energy efficiency of homes. Councils understand their communities probably better than anybody else and, therefore, are best placed to be right at the forefront of these changes.

Steve Cole: Good morning. My name is Steve Cole. I am the policy leader at the National Housing Federation. We are the trade body for housing associations who are independent charitable enterprises providing affordable housing and represent about 10% of the UK housing market. I think it is fair to say that we have the highest average energy efficiency of any tenure type in the UK. One of the problems this has led to is us being artificially excluded from some of the programmes that the Government has run, which has left us with issues tackling the tail-end of properties that we have to deal with. It is still quite substantial. As Peter has mentioned, there is a big role for housing associations working with local authorities, particularly in areas where we are the majority stockholder and really driving the programme through that.

David Princep: I am Dave Princep representing the Residential Landlords Association. The private rented sector is the only sector where there is going to be compulsion in the very near future on minimum energy standards and we are very concerned that the sector as a whole has a lower energy efficiency than the average. That is partly due to the age of the stock and also because we have a situation where some of the landlords cannot afford to do the works that are necessary, or may not be able to afford it, and the problem of split incentives. We need to look at how any funding that is available is targeted to the private rented sector as historically there has been a very poor uptake in the private rented sector due to several factors.

Q33 Chair: Thank you very much. As we go through the inquiry and pick up on your evidence on home energy efficiency and demand reduction this morning, do not feel you all have to answer every question. There are a lot of you and we may be here until midday, so if you can keep the answers relatively short and succinct that will be very helpful, thank you. Overall, how successful do you feel the UK energy efficiency policies have been, looking back over the past decade?

David Princep: I think for the private rented sector it has been relatively unsuccessful. Certainly, groups that I have been involved in representing the private rented sector industry have called over many years for there to be targeted support for the private rented sector so that any funding that is available, be it ECO, CESP, CERT, et cetera, has an element of it that is targeted to the private rented sector because it is very difficult to deal with homeowners, let alone landlords where you not only have the owner of the property but you also have the sitting tenant in there. Certainly, that is one of the issues we would like to see addressed.

Councillor Fleming: I think residents have found some of the schemes particularly complex and difficult to access and that has been a barrier in helping councils talk to their residents about the schemes that they could have taken up. We need to ensure any future schemes are much simpler to understand but also simpler for local authorities with their partners to communicate to residents. It has to be a simpler system that it is at the moment.

Steve Cole: I think there has been advances. Some things like ECO were quite successful in their early phases but they do not necessarily build on the strengths that other organisations have towards these products. Housing associations again have a good track record in delivering energy efficiency but are encumbered from being able to deliver that by artificial mechanics in things like ECO and Green Deal that mean that you are not being able to deliver all the state programmes or the higher standard of works that we are able to deliver through good quality procurement frameworks, good quality contracting.

Q34 Chair: Just quickly on that, we have had previous evidence to the Committee or discussions that there have been concerns over the move away from previous supplier obligations like CERT and CESP to ECO. You say ECO was initially relatively successful. Do you want to just expand on that for a second?

Steve Cole: I think CERT and CESP also had their strengths. It had more merit before targeting systems were changed. Basically, there is too much risk in ECO now so a lot of work is required upfront without guarantee of funding. There is no guarantee of the rate and all the risk then sits with the housing association, so it is a move from a product that did look like it was going to work and then shifted away from the sector at least.

Q35 Chair: Does anyone else have any comments on that particular point?

Richard Twinn: Yes. I think in terms of ECO it has worked reasonably well in terms of delivering installations. It does deliver the majority of energy efficiency installations in the UK and that has always been the case with supplier obligations, CERT and CESP, previously as well. But that has been done by targeting just the most cost-effective properties and in most cases by fully subsidising installations of measures, which is a rather unsustainable position to be in. We need to be creating an active market here and I would argue that potentially our reliance on ECO and supplier obligations has undermined the development of an actual market and private finance being brought in. I would also say there has been too much of an emphasis on individual measures as well, not on the actual outcomes for the homeowners in terms of reduced energy bills and improved health. It has just been focused on getting measures in and ticking boxes.

Q36 Chair: You feel it is process driven rather than outcomes driven?

Richard Twinn: Yes.

Joanne Wade: I would agree with Richard and I think it is important to note that you can see the effect of supplier obligations on the market in the sense that when we move from CERT and CESP to ECO and then when we changed ECO you could see the level of installations drop dramatically because there was no other market there and we have been failing to support the development of a sustainable market. We have done really well in policy terms. Demand for energy in the UK domestic sector is falling so in that sense we

have done really well, but what we have not done is support development of the market and that is where the failure has been.

I also agree with Richard that there has been too much emphasis on individual measures and on process. There are lots of good things that are not happening because they have been excluded. Various colleagues have mentioned other things that have been excluded from the mechanisms.

Steve Cole: To quickly touch on what Joanne is saying, it does not as a programme necessarily build synergy with existing products. For example, you can have ECO delivering on the same housing estate as a housing association or a local authority or a private landlord would be improving the property but you cannot necessarily build the two programmes together. You need separate contractors, you need separate delivery targets, so that makes it just harder to make it stack up as a programme of works and to unlock that market.

Q37 Chair: Okay, thank you. How, if at all, was the Green Deal Home Improvement Fund successful?

Councillor Fleming: We saw very low demand from residents. I think on the Green Deal there was low or no demand. Eighty-five per cent of councils said that there was low or no demand so that in itself paints a picture of where the Green Deal did not quite speak to the residents.

Q38 Chair: On that, and with your LGA hat on representing local authorities, what was the analysis done of what may have driven that low uptake and low demand?

Councillor Fleming: I think we go back to the complexity of the deal itself and also some of the things that the other speakers have spoken about, some of the risks involved with it. We saw figures that were the complete opposite around things like Warm Front and other things where there was a bit more flexibility and it was easier to vocalise what the scheme was. It was much easier to put together. The Green Deal on paper may have sounded great but it was very, very difficult for councils in particular—and I think my colleagues around the table would say—to really sell it to our residents. I guess it was the same for everybody.

Q39 Chair: Quickly before I come to the other members of the panel, did you feel you had any skin in the game to incentivise or encourage councils to be part of the scheme?

Councillor Fleming: Probably not enough. We did our bit as an organisation. As a membership organisation, obviously we are there to support our members with whatever scheme is in place at the time and whatever scheme is given to us. I think if we are looking at 85% of councils saying that there is low or no demand, then it does not matter how hard the council pushes a scheme—if residents do not decide to take it up then we are not in a position to make people. I think it was around the complexity that other speakers have spoken about.

Joanne Wade: One key element about complexity is that it is very hard for the installer or the council or whoever to sell the idea to consumers because they do not know how much it is going to cost the consumer. The Green Deal Home Improvement Fund is a very good example of this. One day it is available and the next day it is used up, so as somebody

trying to sell this to a householder what do you tell them in terms of how much it is going to cost? There might be some money available but there might not and that leads to distrust among householders. You need to be able to say, “This is the package and this is what it is going to cost you” and for householders to trust that.

The other thing that our members have reported to us in terms of low take-up is that because of the golden rule in the Green Deal and because of the long repayment terms, the total repayment on a Green Deal finance package is very high compared to the cost of the measures and that does not look like value for money for consumers. Looking forward to what finance should look like, there should be much more freedom for the householder to decide the terms and decide what they want to fund so that it feels like a value for money package for them.

Richard Twinn: Yes, I would echo that point that the Green Deal in principle was a reasonably good idea but just had rather poor implementation. At the end of the day, a pay as you save mechanism is only ever going to be a niche product. It is only going to work for those—and this is from research done by the Green Deal Finance Company. They found that the majority of people taking out Green Deal plans were those households that were below median income but not within poverty. They could not secure cheaper finance elsewhere but they saw this as a good way to improve their homes because they could not access finance elsewhere. It was only ever going to be a niche product and that meant that quite a lot of the energy efficiency industry, which was meant to be going out selling this, did not invest an awful lot in marketing and driving demand because they did not really see there being a mass market here. I would probably say it is the same for the Home Improvement Fund as well. Although it was a rather different scheme, it was only ever focused on certain types of properties in which it could be cost effective and, therefore, it just did not really have the mass market appeal. It was not creating demand in and of itself.

Q40 Chair: I have one more question and then Glyn is going to pick up on some of the issues to do with the Green Deal we have just discussed. How do you believe the frequency of policy changes has affected confidence in the energy efficiency market and what advice would you give to the Department of Energy and Climate Change in developing fuel policy and in terms of setting and improving investor confidence?

Joanne Wade: I think the industry would tell you that it has very, very little confidence in policy at the moment. Equally importantly, consumers do not have a clue what is going on and, therefore, do not feel any confidence. I understand the need for flexibility to deal with changing circumstances, but the key is to have policy predictability: set targets, review them well in advance of an end date so that we know what is coming next, have longer-term timescales for delivery. It is no good changing policies every year. If you are looking at a five-year time horizon maybe you have more confidence to invest. It is predictability and it is notice for any kind of changes.

Steve Cole: All the evidence shows that the best way to run a housing improvement programme for existing stock is to run it over a long time period. We typically would operate on a 30 or a 35-year cycle. It is about building even some more longevity into that process, providing stability but also, I think, recognising that there are differences between different organisations in delivery and looking at the freedom and flexibility to deliver within that programme. When you try to catch everyone in a very short-term policy measure that then changes, what you will have happen is a lot of organisations will simply

walk away from it because it does not fit with their business planning model and they can deliver more efficiently and more effectively by running through their own process. However, what that means is things get left behind and do not get covered because there is not that extra support required for, say, hard-to-treat properties.

David Princep: I think it is essential that we have consistency. Having trained landlords on energy efficiency, when you go through the myriad of different schemes that have been available it makes them laugh: CERT, CESP, ECO, that sort of thing. I think they need consistency. Also, in the private rented sector they cannot do things immediately. They have to programme things in around void periods because often the tenants do not want it. I would agree that we need to have certainly a long-term attitude towards energy efficiency.

In theory, the Green Deal was ideal for the private rented sector because it solved the problem of the split incentives that basically the landlord's property was improved to the benefit of the tenant who paid for it. It is unfortunate possibly that the Green Deal finished when it did because it finished just as the first tranche of regulation in the private rented sector came in with the tenant's request in April and there may have been an uptake. The whole thing was far too complicated and I think we need to look at making things simple. I mirror what other colleagues have said: basically we need to look at different schemes fitting different situations.

Chair: A last comment from Richard Twinn, and then Glyn Davies is going to have some questions picking up on the theme we have just been discussing.

Richard Twinn: I would probably make a distinction between having long-term policies and having a long-term policy framework. I think there needs to be some kind of long-term delivery targets in terms of what we want to achieve from the housing stock and then under that you develop the different policies that can achieve that. I would draw the analogy with Zero Carbon Homes, which unfortunately is no longer in place but over 10 years set a target of, "We want to be zero carbon by 2016", no idea how we were going to get there but sought to work that process out as you go along. The issue is it has been far too driven by, "Here is the specific scheme, Green Deal. Let us go out and sell Green Deal plans". That is not the objective here.

Q41 Glyn Davies: I would like to carry on a little bit with the discussions about Green Deal. We have covered quite a lot of the issues that I wanted to raise. What I would quite like to do is to put about three or four rather simple, basic questions so that you can maybe add to what you have said already. The Green Deal was introduced as a flagship programme that was going to absolutely transform energy efficiency and it simply has not, so in that sense it has failed. Why do you think the Green Deal was so complicated and how can you reduce the complexity of any future pay as you save scheme? That is quite a big question.

We are told by several people already that high interest rates and the restrictions of the golden rule were the cause of people failing to take up the Green Deal. There are two questions that arise from that. Would you keep, scrap, alter the golden rule in any future pay as you save scheme? Because of the pressure on Government to reduce spending, what could Government do to keep the cost down in the future? There are whole general questions mixed up there.

Steve Cole: There are a number of options in relation to that, but one I would use is the Dutch have done a similar programme called the Energiesprong programme, which is now being transferred to the UK, and that uses a pay as you save mechanism. What it does not do is use the pay as you save mechanism as an end in itself. It is part of a complementary suite of improvements and provides some of the financing to drive a market transformation programme. They have signed a contract for 111,000 retrofits in The Netherlands that are at zero sum cost to the taxpayer because what you are doing is repaying the cost of the improvement over a 35-year life cycle.

A lot of other elements are involved, but it is about basically if you can bring together those elements, as Richard says, with a long-term strategic view, because the aim of that product is not to have a pay as you save scheme: it is to have net zero energy on the meter in those properties. I think that is one of the ways you can tackle it is by creating a market transformation programme and focusing on that long-term target for the property, of which pay as you save contributes in part to the financial element but essentially it is market driven.

Councillor Fleming: I think Richard was spot on. The role for this place is probably to set the outcome you want. We can probably deliver local schemes, combined local schemes. There would be loads more innovation if you just said, "This is what we want you to end up with in 10, 15, 20, 30 years. Go away and deliver that and we will put some support in to allow you to get to that point". I think there will be different solutions in different places. If you look at somewhere like Stoke, for instance, where they are looking at producing all of their own power, clearly they are not going to need a deal like a deal that has been done before but they might need some support to get to a point where they can deliver something for all of their residents. I think Richard is absolutely right. The best thing that Government could do is just to set out the framework and then allow housing associations, private sector landlords, local authorities and others to come together and find what works as a local solution.

David Princep: I think we would agree with that completely that really what we need is a target that we want to have ideally a whole house improvement. Then we look at giving guidance on the mechanisms and the works that can be carried out there and then have various options in how to fund that. With the private rented sector particularly it needs to be industry led and we do need to have a partnership with the landlords, the tenants, the providers and the financiers to produce a solution for the private rented sector because it is a very difficult sector to deal with.

The costing of it, I think the Green Deal was probably in hindsight far too ambitious because it was not going to work in every situation and the whole house situation is not going to work for leasehold properties where there are additional problems. We just need a target. We need guidance on what works can be carried out, how to fund them, and we need some guidance and different schemes of funding; for instance, tax relief for landlords. Probably a large percentage of landlords would prefer to fund the works themselves and go through a loan mechanism, but an incentive of tax relief like the old landlord energy saving allowance that ended last year, would support that sort of thing, plus grants for those landlords who have tenants who are vulnerable, who are in fuel poverty or on means-tested benefits.

I think it is a combination of everything that needs to be looked at. Not saying this is what we want and this is how we want to get it, it is what we want and then leave the schemes and the industry to decide how to achieve that.

Q42 Glyn Davies: I take it what you are saying to me is that we are quite supportive of the principle of pay as you save as a new concept and we want to find a way of doing that, leaving room for some innovation and flexibility to deliver that. Is there anything else you would want to add about how the new scheme would look? I was particularly interested in your reference to the Dutch experience. Are we looking around the world to find out what other countries are doing and looking for examples that might inform us about the best way forward on pay as you save?

Richard Twinn: I would say that there are numerous examples from around the world that all try to deal with subtly different things. Energiesprong is trying to look at a specific building archetype and whole house solutions. You also have examples from France, the Domofinance scheme that provided 0% loans, and in Germany the KfW scheme that provided low interest loans, 1% to 2%, which did not have the golden rule restrictions on them but at the same time that means that they are only really available to those people who have better credit ratings.

One of the appealing things about the golden rule in the Green Deal was it allowed roughly 80% of the population to access that finance, whereas around only 50% of the population could get better finance elsewhere, so cheaper finance, mortgage extension and so forth. There is 30% of people in there. There is a niche that for them the golden rule was quite useful. The main issue for me was the combination of the golden rule and the high interest rates, which limited the amount that could be borrowed. For example, the APRs on the Green Deal were around 8% to 10%. If you could reduce those down to 2% you could double the amount that could be lent through the Green Deal.

Joanne Wade: To add to that as well, one of the problems with the golden rule was that we were very, very careful—overly careful—about calculating it. Energy assessors were going in and saying, “Well, it looks like this is your level of saving. I will halve that just to be sure”, which cut out an awful lot of things that were cost effective and really should have been covered but the energy assessor did not have the confidence to do that. We need to do the research and get our numbers right so that we can cover everything that can be covered genuinely under the golden rule. I agree with Richard. There is a section of the population for whom a pay as you save with strong consumer protection is the best way forward and it needs to be kept for them.

Steve Cole: I would echo all of those comments. I would also add that often we have looked at the Green Deal, the actual number of audits undertaken, as being successful but this basically removed the entire housing association sector from it because we are regulatory required to undertake stock audits. We already run them. Why would we duplicate that process when we already use that to drive £1 billion of investment per annum into our stock? There is also something about proportionality and understanding where regulation might lie or where the Government may already be covering the very real risk to tenants because what you do not want to do, obviously, is get tenants into increased debt, but there are still simultaneously complementary systems there.

Q43 Glyn Davies: Can I ask you about the work of the assessors and the assessments? The Green Deal is not seen as being successful but the fact that 600 assessments have taken place, do they in themselves have a value and can those assessments be used? The assessing process, clearly you can see a fault with it, but can you consider those to have been successful and worthwhile?

Joanne Wade: I think they have a value in that we know a certain amount more about the stock than we did and people do. They are not easy to understand reports from a consumer perspective. They do not give you a clear message. What we would prefer to see is something like a renovation road map given to people. This is being trialled in Germany at the moment and in France and it does not just come up with a list of things that you can do. The Green Deal advice report says, “These are the things you could do”. The road map says, “Here is how you gradually renovate your whole building. If you are having your roof repaired think about doing this. If you are replacing your boiler do not forget to get your control system right”. It takes the householder through quite visually the journey they could take with their home rather than just going, “Here is a list”. I think that would be much more effective in communicating and enabling householders to do this.

Steve Cole: It definitely shows a market. The number of people who have taken this up shows there is appetite. I think that is an important thing to consider. People do want to make these changes. It is just that for them the mechanism they were given after that did not.

Richard Twinn: I would also say there probably needs to be an additional element of flexibility in the way that assessments are applied because it is very much a one size fits all tool of you want something done to your house, whether it is a new boiler or whether it is a whole house retrofit, go and get a Green Deal advice report. It does not necessarily work for all of those circumstances. For some more major renovations you may need a more technical survey of the home or you may just need an EPC at the most base level. It was a very prescriptive process, GDARs, and applying them to Green Deal, ECO and RHI just meant you were forcing people through this route when it was not necessarily the most appropriate way to get them into the system.

David Princep: In the private rented sector one of the problems with the assessments was that it was not transferable. I know landlords who had carried out assessments with the intention of carrying out the works at some future date, only when the opportunity arose going to a provider with that assessment and the provider saying, “Sorry, we have to do our own assessment”. They thought, “What did I spend that money for?” That is the sort of thing that needs to be thought about because these were initial early takers of the scheme who, had they had a successful conclusion, would have praised the scheme and would have encouraged others. Unfortunately, they had a sour taste in their mouth at the end of it and it soured the thing generally.

Just one thing about pay as you save, I think the idea of putting it on the fuel bills works very well for the homeowners and for certain long-term tenants. In the private rented sector, what we would like to see is a variation on it where it is taken out by the landlord and, in effect, the landlord would recoup the funds or pay for it by slightly increasing the rent or would increase the rent. The tenant hopefully, using a variation of the golden rule, would not have their outgoings anymore because the increase in rent would basically be offset by the savings in their energy. The advantage of that is there was a little bit of

concern in the sector with the idea that the tenant paid for the landlord's property to be improved but this seems to be a way over it. It also solved the problem that landlords were concerned about—but which never came to fruition because the Green Deal ended—of the credit checks that were taking place. We had concerns that if a credit check had taken place with the tenant and the tenant failed it in a landlord property, what sort of message would that give to the landlord? "This tenant cannot even afford something that is not going to be of any cost to them. Are they risky?" The landlord was also concerned about it because each time a credit check was taken out, they had a notification on their credit reference, which was to their detriment. If they had a large portfolio, if all of them went for the Green Deal, their credit rating would be very badly affected. We think a commercial loan between the landlord and the tenant as a variation and the landlord paying for it by using an increase in the rent, which is offset for the tenant by the reduced energy efficiency.

Steve Cole: To very quickly touch on credit checks—

Chair: We have to move on to the next lot of questions if that is all right. I am sure there will be opportunities to make a number of these points as we go through. We are now going to come on to consumer engagement and how to effectively engage with consumers, and James Heappey is going to take us through a few questions in that area.

Q44 James Heappey: In a few words, can you encapsulate for an able to pay owner-occupier why do this?

Joanne Wade: Because it gives you a more comfortable home that is worth more when you sell it and you enjoy living in it more.

Q45 James Heappey: For you, it is about comfort. It is not to do with carbon emissions, it is not to do with cash savings in your energy bills, it is about warmth, comfort, better quality of living?

Joanne Wade: I think for the majority. Obviously, for some people carbon emissions reductions will be important, and for some people—a lot of people—fuel bill savings will be nice and for some people it is incredibly important. But for a majority, if you are investing in improving your home it is because you want a nicer home to live in.

Q46 James Heappey: Exactly. The carbon emissions message, as worthy as it is, is rather too abstract to drive most consumers?

Joanne Wade: It is worth making it because for some people it will resonate, but it is not the primary message that will encourage people.

Q47 James Heappey: Is this a view the rest of the panel concurs with?

Councillor Fleming: I would say cost is always a driver. It is. That is one way of selling it to the majority of people. I have to say, out of the three options you gave, I think cost is always going to be one, particularly in the world that we live in at the moment where people are looking after their money. I would always start with, "This is going to save you money" because, frankly, who is going to say, "No, I don't want to save money"?

Q48 James Heappey: Given those drivers, warmth, cost, there is an argument that says that if the technologies or if the insulation or if the other measures were at the right price point, people would be motivated to take them up themselves without Government intervention?

Steve Cole: I think there is probably a nuance around desirability in there as well. People spend enormous amounts of money getting nice granite finishes in their kitchens that are not particularly of fiscal value to the property, and again that is one of the things the Dutch model has shown. They threw a €500 IKEA kitchen in with a €40,000 retrofit. It was the IKEA kitchen that got people to sign up for this programme. There is also something about where getting-on points are for consumers within different elements of the market. I think the point is completely right and I think cost is always the key driver because it has to be affordable, but also these things need to be desirable products.

Councillor Fleming: Also, you cannot see it. That is the other thing. It is not a tangible thing and your savings come over a period of time.

Q49 James Heappey: As far as I can tell, the Government remains stuck as the driver/subsidiser of this until such time as this becomes desirable for homeowners and home buyers.

Richard Twinn: I think the issue is that Government needs to play a role in creating a market here. What I mentioned earlier about the Green Deal and the industry not going out and marketing it, that needs to be the main way that consumers hear about it is through industry marketing. They will tailor their messages, whether that is climate change or energy bills or health and wellbeing, accordingly but they need the confidence to go out and invest in the marketing.

The Green Deal Home Improvement Fund is a good example. There was a very good conversation going between DECC and the industry about thinking about marketing, about, “This is your offer, go out and market it”. There was a lot of money and time spent getting that marketing campaign up and running from the industry—leafleting campaigns, magazines—yet by the time most of those hit people’s doormats the scheme had already gone under. Most of the communication needs to come through the industry, but it needs to have confidence that what it is selling is a good deal and that it will be around. The Government has a role there in terms of providing a long-term framework. There are additional things Government can do in terms of stimulating demand cost neutrally, things like adjusting stamp duty. UKGBC at the moment is doing work looking at how energy efficiency can be factored into mortgage affordability calculations. You can try to nudge people in the right direction, but it will be down to the industry, fundamentally, to market it.

Joanne Wade: Yes, absolutely.

Q50 James Heappey: I am very interested in that area, the incentivisation of this; rather than seeing this as it needs to be subsidised in order to make it attractive that you incentivise the right people. You focussed on two measures that would be appropriate at the time of

buying and selling a house. Assuming that you are in a buyer's market, a good EPC might be a driver. I wonder if there is a more routine measure where you do something with council tax. Do you have a view, Mr Fleming?

Councillor Fleming: I think it is difficult. I would not want to open up a massive debate about local government finance at this Committee because you are limited on time. What I would say is I would go back to the communication of whatever message we decide to have. The three of us at this end basically cover most people. We represent councils that represent all of the consumers of energy within our areas. The housing associations have a way of communicating with their residents, and private sector landlords again have their means of doing so as well. I go back to the point if there can be an overarching framework that then allows flexibility below it to deliver the outcomes that the Government wants us to deliver, we would be in a much better place than we are at the moment. Any type of scheme that is top down and very restrictive or complex or can be changed by a change of Minister or anything like that is difficult. What you need in energy, like so many things, is a long-term goal that we will all sign up to strive towards with schemes that are best placed in local areas. I think that has to be the best way forward.

Q51 James Heappey: So, having the right message, which is one that is based on warmth, comfort, cost savings, with the green stuff for those who are receptive to it, but the key driver being warmth, comfort, cost saving; marketed in the right way, supported in the marketing so that the industry can sell the value of its products and it becomes something that people want. It is as valuable as the IKEA kitchen to have all that insulation. Thirdly, that the communication is done both through Government but also through local authorities and through the supply chain. Is there anything else people want to add?

Joanne Wade: I would add one thing to your key message. There is something intrinsically valuable about an energy efficient home. I think that is the key thing. That is the Government setting a target for where we want to be with energy efficiency of our homes. That is appropriate use of minimum efficiency standards to normalise energy efficiency. Having an E and F-rated building is just not good enough, it sends that message, as well as the comfort, the lovely home thing. Again, the incentives, whether it is stamp duty or council tax, that say, "We believe this is a good thing and we are putting our policy where our mouth is and saying this is what you should be doing" helps to do that.

David Princep: Can I also—

James Heappey: I think Mr Twinn was first. We will come to you, Mr Princep.

Richard Twinn: Just coming in on that communication point, there is a complementary relationship that can be built between Government and industry here in that it will be the industry that goes out and sells the individual products and has the face to face interaction with the consumers, but the Government needs to provide the narrative. The energy efficiency industry gets extremely frustrated by statements by Ministers talking about saving energy bills by switching, which is just one way it can be done. You should be looking at switching and behavioural change in energy efficiency. There is an industry campaign

called The Big Energy Vision, which was specifically set up to try to communicate this, “Use less, waste less, pay less”, but that has not been adopted by Government saying this is the right thing to do and then in the industry we will go out and sell it.

David Princep: Just on one thing around education, I think one of the problems with the private rented sector is that it is run as a business and the landlords are finding no interest in energy efficiency from the tenants, partly because the market is so badly distorted but also the tenants have no interest in energy efficiency. It is not one of the factors that they look at. They get an EPC, and there are penalties now if the landlord does not provide it, but I have seen tenants just look at it and think, “I can’t be bothered. What is it for?” There is a part that Government must play. I know it may not be something that the present Administration is very keen on, but they need to educate people what it is for and so does industry. People need to explain to people what the energy performance certificate means, and I would very much like to see an energy performance certificate where you download the old certificate and it has the energy cost updated with current prices, because if you have an energy performance certificate that is 10 years old it means nothing.

The Government really have a very important part. The Green Deal, for instance—if you ever did a Google on “Green Deal” you would find pages and pages of adverts, companies and what have you. But if you were a homeowner or landlord or tenant who wanted to find detail about it, you could not find it for all of the other dross: just advertising, basically. You need to have a source of reliable information. You need to provide a good direction for people. They do tend to rely on the Government. They support and trust the Government much more than they do energy providers. For people to knock on the door who, a few weeks earlier, had been trying to sell them the idea of energy shifting, changing, and then to try to sell the Green Deal was not good.

On one thing around tax, nobody likes paying tax and certainly some of the previous schemes that were very successful were where some authorities, instead of giving the grant in the form of a grant for energy efficiency works, would keep that grant, basically, and use it to pay a reduction in the council tax. That proved very much more successful. People do not like paying tax. You just have to look at the impact possibly the lower vehicle excise duty has had on the take-up of energy efficiency. You pay £30,000 for a car but people—and I know, I do it myself—will look at saving a few pounds on the tax. I tend to think that.

James Heappey: I fear we are going to get moved on.

Chair: I am just conscious of the time; we are going to move on. I am very grateful for the fairly free-ranging discussion, but if we could perhaps keep the answers slightly shorter that would be appreciated so that we can get as many contributions as possible. We take keen interest on the Committee on issues to do with fuel poverty and low income households. Rushanara Ali has some questions specifically on that area.

Q52 Rushanara Ali: Thank you very much. Just drawing on some of the things that you have worked on, can you say what your overall assessment is of the Government’s policy on

tackling fuel poverty in the UK? Obviously, we have seen the overall figures and the comparisons with Western European countries, which are not very optimistic, so can you highlight some of your assessments but also point to some of the directions of travel that the Government could take that would help reduce fuel poverty?

Steve Cole: I think Peter and I will probably be fairly close on this one. It needs to be adequately resourced. It is fine to have a strategy, but it is about the long term and the implementation of it. It also needs to recognise where the need lies in this and can be used to take advantage. For example, local authorities and housing associations—the average income of their tenants is in the region of £13,500, which is nearly £10,000 per annum lower than even PRS, and then homeowners are up another £10,000 again.

It is a very real argument to say that any local authority or housing association property in band E to G is going to be fuel poor at some point in the tenure, because the tenures change, different people come in, the median income is low. It is also about are you going to look at making sure that you are focussing on where you can solve these problems most effectively? Housing associations are very good at dealing with those E to G properties, but you cannot just target people who are in fuel poverty now because the shift in the tenure and the shift in the property and the churn in the property means that you need to be predicting against that in the future.

Councillor Fleming: Just to underline what Steve has said, I think again it comes back to who knows the locality best and who knows where those residents are. To be fair to the Government, at least they have raised the issue of fuel poverty; it is on the radar. Like lots of things, it is the first step. But are they going to be best placed to deal with it? Probably not. Again, you come back to whether you are better off dealing with it nationally or having a framework that says, “We are going end fuel poverty and we are going to give the tools to housing associations and local authorities”, the people that can deliver on the ground. That is where I would see we need to move to.

Q53 Rushanara Ali: At a time when local government finance is under a lot of pressure and housing associations are under a lot of pressure, what sort of resource implications do you think would help to accelerate the reduction in fuel poverty? For instance, one report by Policy Exchange suggests that there is a shortfall of about £700 million a year in the amount of investment required. I totally agree with you on the need for innovation locally and more freedom to come up with solutions locally, but what about the cost implications? What would you recommend that the Government does by way of investment to drive the reduction in fuel poverty?

Steve Cole: It is fair to say investment is always welcome but we appreciate the circumstances we are in. Housing associations have a very good track record of making Government investment or third party investment go further; that is why we are attracted to the bond market. If you look at our new build regime, for every £1 of Government investment we get we spend £6, and that comes through bonds. There are ways and means in which we can find ways to make money go further.

Q54 Rushanara Ali: But you are going to struggle with the current Government housing programmes where your ability to borrow is going to be substantially reduced.

Steve Cole: These schemes are being cut back. Yes, the schemes are going to be cut back, I think, but what you could look at is, again, removing these artificial distinctions that are in the current ECO programme. You could look at better ways of leveraging in, making the problems fit with existing cyclical works, and also pay as you save is an option. It would just have to be the right mechanism.

Councillor Fleming: Just very, very quickly, I also think that having a local scheme you will get more bangs for your buck than you do with any national scheme. You just will.

Rushanara Ali: Yes, I agree.

Joanne Wade: Two things: one is the recognition that investment has to be made and it probably needs to be public money, but recognising that things like the savings to the health sector will more than pay for it. It genuinely is an investment that probably has fairly short-term paybacks.

Secondly, thinking about the local delivery, there is no doubt that local knowledge, local intelligence, will help us to reach the people who really need to be helped. We need to recognise, in resource implication terms, that local authorities do not always have the capacity and the capability to do this. They need a long-term guarantee that something needs to be done and that there is money for it so that they will invest themselves in developing that capability. We should also draw on their ability to work with one another. There are leading local authorities who can do this and they would be willing to help their peers learn how to do it, particularly if funding for them was linked to having to teach their peers.

Councillor Fleming: Again, that is where the LGA can play a major part in spreading that message.

Richard Twinn: I would also just pick up on this point of finance, that there are quite a lot of local authorities out there that are trying to do innovative things here. I would pick up the examples of Leeds and Doncaster that are looking at using what is called “Care and Repair” loans in order to help improve particularly the properties of vulnerable residents, whereby they will give a loan, effectively, that is returned by a charge that is placed on the property when it is sold. It is effectively an equity release scheme for people that have low incomes and have equity in their property. There are different mechanisms that will be appropriate for different people within fuel poverty.

Q55 Rushanara Ali: In previous sessions we have had, in one of the sessions one of the conclusions that came out of that was that the supplier-led focus has meant that there was less success with those in greater need for energy efficiency who are suffering from fuel poverty, and that is a big challenge. Given that there is an investment issue, some of the examples—

for example, in Scotland where there has been more investment and there has been greater impact—it feels like you are sidestepping the issue of finance and Government support in order to drive the innovation locally. The last thing we want to see is local authorities having lots more responsibility without the backup and investment from national government, but also private investment as well.

Richard Twinn: I would just say that we are the only country in Europe that uses a supplier obligation to try to tackle fuel poverty. Suppliers are not in the best position to do that, so if we are going to fund energy efficiency programmes through levies on bills—there is a question about how regressive that is—then that funding should be channelled through a levy to local authorities.

Q56 Rushanara Ali: Thank you. Any other points?

Steve Cole: One other point I would touch on is where the Government's role might be in market transformation as well, which goes back to some of the points that have been made earlier. There is investment in the actual stock and then there is investment in changing the market conditions, and that could be much smaller, much more catalyst investment to try to bring groups together: contractors, housing associations, et cetera, such as being run by the Energiesprong UK project.

Q57 Rushanara Ali: There are clearly lots of good examples around the country, but in terms of the sum of those parts—your point about market transformation is very important—how confident are you that the Government's fuel poverty target will actually be met going forward?

Joanne Wade: Not at all.

Councillor Fleming: Not with the schemes that we have in place at the moment, it will not be, which I guess is why we are here talking about changing that.

Q58 Rushanara Ali: Yes, so if you had one specific recommendation each, a tangible recommendation, whether from domestic or international experience, what would it be? If you were being asked to choose a policy that would really make the impact, what would be your top priority?

Richard Twinn: I would say investing in local authority loans like the Care and Repair schemes. I think there is a real ability for local authorities to mobilise private finance in there as well and help people to release equity to help improve their own homes.

Rushanara Ali: Any other suggestions?

Steve Cole: I would look at supporting housing associations to deal with it. We have 230,000 hard to treat properties, but we can deliver the scale and the volume to start moving the market in that direction of lower costs. This is what we did with kitchens over the last 20 years. We were told at the start of the Decent Homes programme that there were not enough kitchens in Europe to refit all of ours, and we drove the cost down and we did it. Again, it is where are the most appropriate people to build that market change and using them.

Councillor Fleming: I think it is a combination of both. You have to build a market for those in fuel poverty and the suppliers are not going to deliver that. It will be local authorities working with their partners that will deliver that change.

David Princep: I agree. I think it has to be locally based, more so than national. The local authority knows its stock and it knows its landlords.

Rushanara Ali: Great, thank you.

Chair: Thank you very much. We have covered a little bit of this already, but James Heappey has a couple of final questions on energy efficiency standards.

James Heappey: Mr Princep, first of all, in 16 months' time we are going to oblige all of your members to have a member rating of E on their EPCs. Is this popular with them?

David Princep: No, because obviously there are some of them who do not like compulsion on anything. I think the general view of the market is they have accepted that they are going to have to improve the ones that are in the lower bands, and these do tend to be the lower value properties that are pre-1919, which are quite abundant in the private rented sector. It certainly is not popular but I think they accept they can do it.

The view in the industry is that most of them will probably pay for it out of either their own loans or their own pocket. For some of them, where the costs are excessive, it is likely to be problematic for them to see how they can fund this, particularly if they have people on housing benefit, how they can fund it. It is going to be an issue, but I think they have accepted it. It has been in the market for some time that this is coming about, so I think the majority of them are aware of it and hopefully are now beginning to take steps to deal with the issues. As I said earlier, it is just unfortunate that the Green Deal, which could have helped some of those who do not have the upfront costs and funding to pay for the works to be carried out, has now ended.

Q59 James Heappey: Thank you. Is there anything anybody else wanted to quickly add on that particular issue?

Richard Twinn: On the private rented sector side, there is an issue now that we have the stick but we do not have any carrots. As much as I would support the stick—I think it is a great stick—there also needs to be some kind of consumer pull as well, which for me would be something like an initiative that some social housing providers are considering at the moment, which is displaying the total cost of occupancy alongside the rent when you are marketing a property. That would include bills, council tax, utility bills, which would then push potential tenants towards more efficient properties and would also potentially allow landlords to adjust rent levels so that they can increase them for more efficient properties, and that could help to contribute towards funding measures.

Steve Cole: The costs of energy miles per gallon is quite interesting in that sense because it helps to unlock the funding and basically it makes the whole rental market compete on a level playing field.

David Princep: We would support that.

Q60 James Heappey: Finally, I am going to pinch Rushanara's "Dragons' Den" style idea. Improvements to EPCs: we have already mentioned this morning having an online-based one that is able to update with real time energy costs so it is not showing some outdated costs from 10 years previously. Last week we asked Amber Rudd for her views on revising it to take into account things like the white goods in a house that might be integrated to operate at certain times once there is a smart meter fixed, and the need to adjust EPCs for not just what is in the walls and rooms and in the windows but actually physically what technologies are employed within the house as well. If we move along the panel, does anybody else want to pitch any bright ideas for the improvement of EPCs?

Richard Twinn: Well, EPCs are always a difficult one because they are going through a continual process of improvement. One of the main issues is that they are not really representative of different building archetypes. They are based on a 1970s building archetype, which is not necessarily reflective of a lot of our older properties, which can mean in a lot of cases that you get inappropriate measures going in. I think we need to be looking at a much more bespoke approach to pre-1919 solid wall properties, which we really have not touched yet, mainly because of these issues. Yes, it needs more sophistication in the different types of properties that it is focusing on.

Joanne Wade: There are lots of things we need to do to make the calculations better, but as far as I am concerned the key thing is give people a retrofit roadmap; do not just give them a certificate.

Steve Cole: I would not say much different. Going back to the energy miles per gallon point, it is how you tie it to the market, so how you make it tangible to individuals when they are looking to rent or buy a property. That then gets you into interesting territory around how you work it into mortgage calculations and so on.

David Princep: I think one of the problems that we have at the moment is some BRE research has shown that the figures used in calculating the EPC for solid wall may be overestimating the inefficiency of the properties. I think we need to make sure that the science behind the establishment of the ratings and the bandings is accurate, particularly with the compulsion coming in for the private rented sector around the low energy efficient bandings. It is important that we can rely on that information. We would like to see DECC push that forward and recalculate the EPCs where these figures have been shown to be substantially inaccurate.

Chair: Mr Twinn from the UK Green Building Council, Joanne Wade from the Association for the Conservation of Energy, Steve Cole for the National Housing Federation, Councillor Peter Fleming from the LGA, and Dave Princep as well from the Residential Landlords

Association, thank you all very much for your evidence session. There is going to be a changeover with the new witnesses coming up so we will briefly adjourn the Committee for about three minutes. When the Committee comes back, we will have the new witnesses in place and Glyn Davies MP will be sitting in the Chair. Thank you all very much.

In the absence of the Chair, Glyn Davies was called to the Chair.

Examination of Witnesses

Witnesses: **Isaac Occhipinti**, Head of External Affairs, Energy and Utilities Alliance, **Holly Jago**, Corporate Affairs Manager, Calor Gas, **Lawrence Slade**, Chief Executive, Energy UK, and **Stephen Huller**, Head of Commercial, CertiNergy UK, gave evidence.

Q61 Chair: Hello, everyone, and thanks for coming along. My name is Glyn Davies and I am the stand-in Chairman—actually, I think I am the stand-in for the stand-in, as it happens. Thank you for coming, and welcome to our Committee. What I would quite like to do is to start by asking you to introduce yourselves. Be as brief as you can while imparting the necessary information, because we hope to finish about 11.30 am if we can. We are running a little bit late, but we will hopefully be as near to 11.30 am as we can. If we could just go through all the witnesses, tell us who you are and how you think you can help us.

Isaac Occhipinti: My name is Isaac Occhipinti. I work for the Energy and Utilities Alliance. We are a not for profit trade association that represents the energy supply business in the UK. Our members are involved in the supply of energy, the fitting of energy, the transporting of energy, so every home in the UK has a product that is manufactured, installed or supplied by one of our members. Very, very briefly, one of the things we as an association look for is a long-term consensus within energy policy and simplicity; the less bureaucracy the better.

Holly Jago: I am Holly Jago. I am Corporate Affairs Manager for Calor Gas. We supply LPG into rural areas of England, Scotland and Wales. Primarily what I would like to talk about today is the delivery of energy efficiency schemes into rural areas and perhaps some of the failings that have been experienced to date, and talk a little bit about how we think we can improve delivery into rural areas.

Stephen Huller: My name is Stephen Huller. I am Head of Commercial for CertiNergy. CertiNergy is a major European energy services company, predominantly based out of France and Italy. More latterly, we have moved into the UK and have been growing. We were a Green Deal provider and a founding member of the Green Deal Finance Company. I have been involved in Green Deal for about the last five years, before CertiNergy at a major retailer who decided to become a Green Deal provider. My main background is financial services and building financial products and financial instruments for people wanting to engage with life-changing events. Hence that is how I got involved in energy efficiency in the first place.

Lawrence Slade: Lawrence Slade, Chief Executive of Energy UK. We are a trade association representing some 21 electricity and gas suppliers, including the major companies, and in total 11 companies that are currently obligated to deliver energy efficiency measures. Our main interest is helping you understand some of the issues with previous schemes, the history of obligations, but most importantly how we can shape future obligations and make sure we are delivering the right result for the consumer.

Q62 Chair: Thank you very much. I think we will start with looking at the overall performance of UK energy efficiency measures. That is generally the theme of the entire session. While you all may feel you want to perhaps answer the first question, which is very general, do not feel everybody has to answer the others. Because of the time limits we try to get through the various questions we want to ask. Let us just start with a very general question. Overall, how successful do you think the UK energy efficiency policies have been over the last decade?

Isaac Occhipinti: Given the last five years, I think they have been mixed. If you compare the final five years running up to 2010 and then post-2010, there was a marked decrease in the amount of energy efficiency products installed. If we take it on that basis, we would say that there has been a deterioration in performance in delivering energy efficiency products.

Holly Jago: We feel there has been a persistent underdelivery of energy efficiency measures into rural areas for a variety of reasons, not least because of the way that schemes like ECO have been designed, where the obligated suppliers have been required to deliver measures at the least cost, which we absolutely understand. I think all bill payers would want that, but that inevitably means that the more difficult, hard to treat houses, which you generally find in rural areas, have been missed. That is a particular failure certainly of ECO.

We believe that previous energy efficiency schemes, CERT and CESP, experienced similar deliveries but the area-based nature of CESP made it a better mechanism to get into rural areas. Under ECO, the off-grid industry campaigned very hard for a rural safeguard, which we saw within the carbon saving community obligation. We very much welcomed that but unfortunately, due to the way that that rural safeguard was defined, we still did not see the measures going into rural areas.

Stephen Huller: I would probably want to just look at it and see what the definition of success is. If success is about reducing carbon emissions, then obviously there has been some movement in that space. However, I look at success about campaigns like this as how you are able to engage with the consumer. I think traditionally, especially with Green Deal, we have missed the mark massively with that and there could have been so much more we could have done with it. If we look historically, there have been people that have been doing energy efficiency measures ad infinitum, using all manner of different financial instruments, but then what tended to happen is we started to try to sheep dip those consumers into Green Deal Finance as opposed to maybe Green Deal Finance just being part of a wider range of financial solutions to try to feed the activities that people were already undertaking.

Lawrence Slade: I agree with everything that has been said, actually, but I do not think we should disregard what has been achieved. So, ECO, we have seen 1.5 million measures installed so it is by no means a failure. But agreeing with Stephen in particular, in any future schemes you really have to look at what you want to do. Are you trying to help customers save money, are you trying to improve their lifestyles, help the fuel poor, or are you trying to save carbon? Since the first obligations came in in 1994, we have seen costs go up drastically, and remember it is the consumer, all consumers, that pay towards this.

We have seen complexity increase on a similar scale, and I think what needs to happen is to revisit that. If you are going to spend £800 million or £1 billion, how can you get that money going towards those people that need it most? I would agree with what Holly is saying, particularly around rural communities, but also there are people who do not have access to gas who live in central cities who also suffer disproportionately because of the amount they pay on their electricity bills. I think you really have to look at just what it is you are trying to achieve and then concentrate on that one objective.

Q63 Chair: We are probably going to have a few questions on Green Deal a bit later on. Can I ask you about the energy company obligation? You have said it is still delivering measures but it has not delivered anything like those that we were expecting. What do you think the rationale was for ending previous schemes like CERT and CESP? It would be interesting to know what you think the main reason is for the decline in the number of measures under ECO since the start of ECO.

Lawrence Slade: Again, under ECO 1, it is worth noting that all the obligated parties actually exceeded their targets, so from that point of view it was not a failure. Where I would go back to is the problem around the complexity and how the companies had to work within the complexity of the programme that defined just how quickly and how fast you could get moving. I think they are the elements that need to be looked at. Are you just going to look at one specific group of people? Are you going to target and hit the fuel poor, for example? Or are you going to do a much broader brush approach? I think where ECO went wrong was it was trying to do too much, and companies and the supply chain also were not given sufficient time to look at the major sea change from something like CERT and CESP into the new world of ECO and Green Deal next to it.

Holly Jago: Can I just talk a little about how—sorry, it will be the theme for my evidence—you define “rural”? The Government has put in the rural safeguard, which was welcomed, and yet it defines “rural” as communities of up to 10,000 people. Now, in our opinion, that is far too high a limit. The communities that Calor and the off-grid industry serves are communities of less than 1,000, of a couple of hundred. If you want to really target the rural fuel poor with this, having an upper limit of 10,000 will inevitably drive the suppliers towards semi-urban areas, areas that are likely to be on gas. Having a 10,000 limit for rural, we really believe that definition needs to be looked at very, very carefully.

Q64 Chair: Can I pursue this? Has ECO been a success or has it not been a success? The targets have been met. What do you all think?

Isaac Occhipinti: I think we could probably question has it reached the right people and, echoing what Lawrence has been saying, has it targeted the fuel poor? Has it delivered meaningful change in that area? ECO itself, we do not know where that is going to go post-2017, but it really needs to have a renewed focus, and I think everyone probably agrees that it needs to focus on the fuel poor specifically.

Stephen Huller: It has a counterintuitive interaction as well with the able to pay market because if you confuse that particular demarcation between fuel poor, we had a lot of people who would not be classed as fuel poor that were getting free measures in the past, who could have afforded it and would have had options about how to finance it in different ways. If you can make that line of demarcation between only those who have no option and no other alternative of finance, they are the ones that gain access to ECO funding to get their homes retrofitted, and those that can look after themselves and have the options are given all the options that best suit them, then that seems a more balanced approach to take.

Lawrence Slade: I think the other angle to look at is just how these schemes are funded. As part of the success or the question around success you have to ask: is it right that the fuel poor are also having to fund, via their electricity bill, measures going into people who could afford in the able to pay market? I think as part of the question and the future look at this you have to look as to whether you want policies to be worked or delivered in a regressive way—that is, where they are smeared across the entire customer base of the country—or whether you want to put them into general taxation where you can achieve a much more progressive nature and you can pick up on some of the elements of the previous session around how ultimately it is delivered.

Chair: I think we might have a few more questions on the impact of change on the fuel poor later on. May I just finish with asking about the specific impacts and challenges that faced the supply chain in the last year? A short timescale, the last year; how has it impacted and what effect will that have had on the number of jobs?

Isaac Occhipinti: Our members manufacture boilers. Boilers are part of the ECO scheme, and in the last year there has been a dramatic drop-off in the number of boiler installations through the ECO scheme because a number of the targets have already been met. Whilst the boiler industry is less negatively affected as maybe the insulation industry, which I know has had severe problems with this, it is still problematic when you are trying to plan a business and you are not sure what the demand ultimately is going to be through a scheme.

The scheme in 2013/2014 was delivering around 30,000 boilers a month; we are now on 4,000. That affects manufacturing processes, how many people you need in the business, in the factories, at any one time, so it is part of business continuity planning. That, then, impacts how much industry will engage with future schemes because then they have to make a business decision. We will probably get on to it with regards to Green Deal. I think that has impacted on how much confidence there is and how much willingness there will be to engage in future energy efficiency schemes.

Stephen Huller: It is the volatility of levels of funding as well that does not help in that space. You could see pence per kilowatt rates being quite high a while back, but then they obviously drop and it starts to make it commercially inviable for people to operate in that space. People have to make decisions about do I continue to trade. That is what we have seen in the recent past. Anything that can add more stability into that space would definitely help.

Lawrence Slade: I do not think we learn the lessons of the past, so as I said earlier, schemes going from 1994 onwards. It always seems that there is a hard stop at the end of every scheme. That causes tremendous issues for the supply chain. You are trying to invest in new kit, you are trying to keep staff on, you are trying to keep installation teams working, pay salaries, and so on. But if the policy just comes to a dead end around an election or around the end of a scheme, you end up with redundancies.

One of the things that needs to be looked at is how you manage these processes so that they last more than a parliamentary term and regardless of who is delivering it you give the supply chain and the installer community the certainty, as much as you can, over a long-term policy framework, so you can invest not just over the next three years but over the next five years, the next seven, the next 10 years. That way you stand a chance of dealing with the problem on a national basis, otherwise you are constantly in a stop-start process and ultimately that will waste consumers' money.

Holly Jago: You need the consistency. With previous schemes we have seen a rush towards the end where measures were being given away to households that were able to pay and under CERT you saw a huge rush on measures being delivered. Now, with ECO, you have seen a huge decline in measures being delivered, and previously where customers would have had a measure delivered entirely funded they are now being asked for customer contributions up to 50%. The customer, as we heard in the previous session, just becomes disengaged at that point and says, "It is not something I am interested in". You never get that consistency of delivery, of the same measures being available throughout the process to the same people in the same circumstances. There is a huge amount of discrepancy there.

Q65 Rushanara Ali: There has been a lot of criticism about the Green Deal. In your view, has it been a complete failure?

Isaac Occhipinti: By every metric, you could probably say it has been a complete failure, yes. We have not had the number of plans go through the system. The number of assessments seems high but I think, as discussed in the previous session, those are probably bolstered by energy assessments that were going to take place anyway. One of the biggest failures of the Green Deal has been the fact that it completely disenchanted industry. Industry were quite excited about Green Deal when it started up. Industry invested a lot of money in the marketing and the planning for Green Deal, and yet the complexity and the whole scheme design meant it had no chance.

Q66 Rushanara Ali: How much, in your view, did it cost industry, then?

Isaac Occhipinti: Unfortunately, I do not have the numbers for the exact cost, but, for example, we know that there was the Green Deal Home Improvement Fund and certain products were included in that. Yet within three weeks of its being launched they were no longer eligible. Manufacturers had put out advertising, they had invested in their supply chain, and yet within three weeks that product was pulled. That level of investment that had taken place was effectively wasted.

Q67 Rushanara Ali: You do not see any particular value, then, in the Green Deal assessments given, in your view, that they are likely to have happened anyway?

Isaac Occhipinti: I think there is some evidence to support assessments as a driver, but I think there needs to be more research. I think also, very quickly, the actual assessments themselves have to be of better value.

Q68 Rushanara Ali: For other witnesses, in particular what is the overall impact on investors' confidence, then? Mr Huller, I wonder if you could start off.

Stephen Huller: I do not think it is any worse than it was a few years ago. If we think about when Green Deal Finance Company was originally launched, the idea was that we would have external financiers coming in to sit behind it. I think it was too early to engage with the market at that point because there was no track record, there was no evidence, so why should they want to come in and put their money behind it? I think now, even though it is limited, the performance of Green Deal, at least there is something to point towards.

Some of the mechanisms that exist about reducing defaults on loan books, such as attaching debt to the bill or the electricity meter, would have some attraction, but it is not just about big institutions coming in and replicating what existed with Green Deal Finance Company. This is potentially looking at are there other financial vehicles that we could use that people have already invested into in better ways to help them make more of their money, such as pension funds, such as mortgages, such as secured and unsecured borrowing, such as equity release where people are bricks and mortar rich but income poor. What sort of things can be done around that space and especially leveraging the trusted relationships they have with their advisers who are already speaking to them around those products?

Q69 Rushanara Ali: There has been a lot said about the complexity of the Green Deal. Why was it so complicated and what could have been done to simplify it?

Lawrence Slade: When the Green Deal was being set up, there was a lot of conversations with the Minister at the time that you were changing the whole way energy efficiency was handled, so you were trying to create an able to pay market. I think the words used at the time by the industry were that this was always going to be a slow burn; it was not going to be an overnight success. To quote "World at One", it was not going to be 10,000 plans by Christmas. It might be 10,000 plans by two years. What should have happened over that period was there should have been a trial period to understand and to gauge customers'

reactions and then to work on simplification. What I felt ended up was that organisations like the Green Deal Finance Company had to undertake a lot of the simplification work themselves to do what DECC, in theory, should have done to bring that forward.

Remember, this is an organisation that not only did Government put money into but the energy supply companies ploughed millions and millions and millions of pounds into, all of which has been lost, and ultimately that is customers' money. I think the problem overall was it was too rushed. It was a good idea. I still believe there is the opportunity for an able to pay market. I think having the infrastructure and spent the customers' money in setting up a collection system that is linked to the electricity bill is worthwhile, but I think it needs to be seriously looked at in how you can engage customers, as Isaac said earlier.

Q70 Rushanara Ali: You indicated the costs both to consumers and the insulation industry, for instance. How could those costs be kept down in future? What are the key lessons from what has happened?

Lawrence Slade: To my mind, if you take the Home Improvement Fund, one thing that you did notice is that when DECC launched each tranche of money there was a massive uptake in assessments and also plan applications. There is a direct link between additional funding support and interest and uptake from consumers. However, as was said earlier, those funds were not sufficient. I think the management of them was poor and the speed at which they went was more speculative as opposed to, "I am definitely going to do this work". It would be much more use to look at what other fiscal tools are available, be that stamp duty discounts or council tax holidays or salary sacrifice schemes and so on, where people can see an immediate benefit to having this work undertaken. You saw in the previous session a lot of people think not just around being comfortable in their home but what value are they creating and what is the difference going to be.

Stephen Huller: My view would be slightly different to that in that I agree with a lot of what was said, I think short-term incentives are useful as a stimulus to start a market growing; however, you need stability. You need something that is affordable long term. Otherwise, all you get is consumer apathy. All they are ever doing is sitting back waiting for the next tranche to come along and they just do nothing. What you find is the market slowly just dwindles on the vine over time if there is not something there that allows you to continue to trade.

Q71 Rushanara Ali: How can consumers be made more aware of the schemes and how to take them up? Who should be doing the engagement?

Holly Jago: I think you have to work with the existing installer base, particularly around installing new boilers. There are over 100,000 boiler engineers out there. They are in communities, they are in the home, they are the people that you turn to when your boiler breaks down, when you need a new boiler. They are the people you look to, and if you do not engage those people, if you do not engage that industry and make it simple for them—I know

Isaac can add to this, but the accreditation process that installers had to go through, if you are looking at the smaller installers, one, two-man bands, family businesses, they do not have the time and they do not have the money to invest in additional training and certification. Calor has the largest Ofgas installer network in Britain. We were Green Deal installers. We never installed a single Green Deal measure. We had to go through an awful lot to get that accreditation and we did not install anything. As a business, where is the incentive for us to engage with that? We are a large business, so what happens to the one-man-band installers? They are not going to be interested.

Stephen Huller: Past experience, when you try to grow a market a lot of people throw an awful lot of money at marketing activities or they try to get big brands out there to try to promote their message. The challenge that you have is buying behaviours are either emotional or they tend to be logical. Now, marketing can have an impact on the emotional side of it, but the thing is, is energy efficiency an emotional sort of purchase? I am not sure. Could we have done more on maybe trying to align ourselves to the people that are helping consumers make logical decisions about how the cost of doing something is actually cheaper than the cost of doing nothing, which is what underpinned the golden rule? Could we have not got closer to, say, financial advisers or mortgage brokers or people who are helping people move towards retirement, whereby using the money that they have already accumulated it would give them a better return than, say, buying an annuity in the marketplace? We did very little about trying to align ourselves to trusted advisers. I am talking about financial services but trusted advisers right across the spectrum because it is those people, I think, that can help you grow an infant market.

Q72 Rushanara Ali: Overall, do you think it was the right thing to do to scrap Green Deal or should it have been reformed?

Isaac Occhipinti: I think scrapping Green Deal sent a message that, accompanied with other cuts to, say, solar PV and wind, green schemes and energy efficient schemes are coming to an end for the time being. However, Green Deal needed severe reform if it was going to be successful. Just quickly, to echo on Holly's point, there is a boiler replaced every 20 seconds in the UK and those are the kind of engagements that we need to be working with.

Q73 Rushanara Ali: Just a final question about incentives; some of you have already mentioned council tax discounts, stamp duty rates and so on. We had a session earlier on and one of the representatives from the LGA was there. Council tax discounts are not, obviously, going to be particularly popular for local authorities when they are facing massive cuts. How realistic is something like that, and what would be the way to make it a win-win for consumers and councils? They are keen to innovate, they are keen to have more of an input in designing new schemes for local areas, but what is your sense of how this could be taken forward?

Isaac Occhipinti: Council tax, stamp duty, there will be winners and there will be losers if it is going to be cost neutral. If you are going to reduce council tax for people with

energy efficient homes, are you going to have to put council tax up for homes that are inefficient? Those are questions that will have to be asked. The same applies to stamp duty. If that is the case, if you are going to reduce it, let us say, across the board, then that is more of a subsidy, and would that subsidy be better spent elsewhere? With local authorities actually utilising the ECO money, the IPPR did a report on this and they said if you put that money into a pot for local authorities to be spending on local initiatives, that might be a better way of delivering local programmes.

Q74 Rushanara Ali: Where are the best examples in local areas, in your experience, where those sorts of innovations are already happening?

Holly Jago: There are good examples across the board. The point is that they are pepper-potted and there is not necessarily a sharing of best practice or a co-ordination to it. If you look to Scotland and Wales, for example, where they have additional Government funding that can then be used to leverage in ECO funding—and that was done particularly successfully in the early parts of the scheme to align with HEEPS, with Nest, with Arbed—then that is where you see particularly how something like that could be successful. Whether and how that can be replicated in England given the current financial constraints I do not know.

Chair: James, do you want to come in?

Q75 James Heappey: I do, and I will pick up straight on that, not least because everybody who ever played rugby will love that there is a policy called HEEPS. You hold that up as an example of a particularly good, locally driven energy efficiency policy that should be replicated. Are there improvements to it? If you were designing from scratch, how much would you learn from HEEPS?

Holly Jago: I think you can always learn from the schemes that have gone in the past. Where the strength of HEEPS lies is that there is money that is dished out to local authorities to deliver in the most appropriate way for their housing stock, for their residents and their particular incidence of fuel poverty. That is where the local solutions to local problems has to come in.

There is no one size fits all answer to this. It is easy to say it and it is difficult to implement what those solutions are, but the people that are best placed to do that have to be the local authorities. They already have the supply chains in place. They know who the installers are in their local area. They can engage with them. They can engage with the insulation industry. They know their housing stock, whether that is their own social housing, whether that is private housing within their districts. In my opinion, it has to be right to deliver the funding via local authorities and they can decide where to best spend it.

Lawrence Slade: I think we have to be a bit careful. I would agree in involving local authorities but with the number of cuts that are coming through for local authorities I think you need to be careful about assuming that all local authorities have the capability to deliver projects on this scale. I do not believe that is the case. It is certainly the case for some,

particularly the bigger metropolitan councils. There is an issue there that you take a broad-brush approach to council funding, because managing these schemes requires a significant number of people to be employed and to be managed. What I would say, though, is to take that style but ensure that people who have experience of delivering schemes economically can bid in and can partner with a council, so you take that weight of the delivery responsibility away from the council in that respect.

I think, though, there is also a question of you know your building stock; do you know the people who are in most need of help? That is where Government have a part to play. We have seen this in the delivery of the warm home discount, for example, whereby using data matching we have been able to get the warm home discount to people very efficiently by matching against customer databases with DWP data to ensure that the amount is automatically sent through to consumers. I think you can follow the same idea if you match certain benefits with the fuel poverty definition. You should be able to help suppliers if you continue obligating with suppliers, but you should also overall be able to help identification of people in addition to understanding housing stock. Yes, there are council properties and housing association properties that need help, there are also privately owned properties that need help with people who are on the verge of or in fuel poverty, so use every measure you can that is available in the toolbox.

Q76 James Heappey: I instinctively agree that local authorities are best to deliver this and that they should not be constrained to, “This is how you will do it. Here is the cash. Do it as appropriate given the challenges that you face locally”. Mr Slade, your point is a good one that there is a large amount required to administrate that policy in each council and potentially not quite the expertise for every council to have a—is that irreconcilable? How does one get past that starting hurdle?

Lawrence Slade: A lot of lessons were learnt with the suppliers working for councils under CESP—not all perfect, I would be the first to admit, but the experience was there. It is really how you can leverage that. The energy supply market in itself has changed radically over the last few years and not all companies are doing this. But if you have a business where you have proven that you can deliver these things effectively for the customer, then you ought to have the opportunity to work in partnership with a council that has the money but does not have the expertise. That should be something that works in favour of the local consumer. I think it is something that could work in favour, to pick up Holly’s point on rural communities, in how you can work with those smaller communities that have missed out in some of the other schemes.

Holly Jago: Can I just comment on that very quickly?

James Heappey: Sorry, please.

Holly Jago: I think as well it depends on what constraints you are putting on the funding. Does every pound of funding have to be tied back to a carbon reduction measure that has been delivered or can that funding be used to draw in local experts who do have the capabilities to deliver, who do know the areas? There are a huge amount of small groups that work particularly in rural areas, and if they can be funded to work in partnership with local councils and bid for some of the funding to deliver the measures themselves or

facilitate that, but at the moment the way the money can be spent is very restrictive, I think.

Q77 James Heappey: It seems clear to me from the evidence we had from the first panel, and now from you, that this carbon reduction is a very welcome by-product of talking about other areas. You talk about heat, comfort, warmth, savings to bills, and just know that in achieving those energy efficiency measures and in achieving extra warmth in a household and cheaper bills, you are also achieving carbon reduction. Is that a sentiment that you agree with?

Stephen Huller: 100%. Going back to what I talked about earlier about people buying on emotions, that is definitely a proven way of doing it. If you look at some of the foreign markets, especially New Zealand and Australia, they really do play probably more the health angle than carbon reduction. It is something that could definitely be replicated in this country.

Q78 James Heappey: Okay. I want to look at a few of the issues that have come up in a bit more detail. On suppliers, first of all, a number of suppliers who gave us evidence squeaked over the amount that they were obliged to do under ECO. Under any future ECO-like policy, should they continue to be obliged to do so much?

Lawrence Slade: Our position is quite plain: we think obligations should firstly be paid for out of general taxation and not as part of the electricity bill, and I think suppliers should be able to be involved on a voluntary basis. If you have built up an energy efficiency business you should be able to competitively compete for business. However, if you are one of the independent suppliers and all you want to be able to do is to be good at delivering electricity and gas, then you should be able to do that. Bring competition into the market, make sure that it is being paid for in a progressive manner, not a regressive manner, and let the market deliver in that respect.

Isaac Occhipinti: Just quickly from our perspective, on the one hand we agree completely with what Lawrence has said. The only concern we have is if it comes from general taxation what form of long-term stability will there be? Obviously, taxation is a much more politically sensitive area and, therefore, if you removed the supplier obligation would there still be an energy efficiency scheme? It is quite a difficult challenge.

Q79 James Heappey: You also, Mr Slade, earlier on mentioned the importance of data and making sure that suppliers have access to integrated data so they can really target their efforts. Have you any ideas on how you facilitate access to that data?

Lawrence Slade: I suppose, taking again the track record with warm home discount, it has been a long and quite complex road at times. The first time we ran the data match, I think about five years ago, we matched about half a million households. We have now got that to well over a million. We know it can be done. My understanding is that the Department of Energy, DECC, are looking at this very closely as to how you can leverage data from DWP across Government. The noises we are hearing, if you will, are very positive as to how that can be done.

I think it is important that it is as open as possible because so many different companies are involved now. A few years ago you just had six obligated parties; you now have over 10 and in a few years' time probably well over a dozen. You need to make sure that when

you are accessing Government data it is available to all, over different systems, et cetera. That sounds simple, but it can often be more complex. Ultimately, we believe the goal is big enough to warrant the effort in how you use that data, and I think there is sufficient public interest that you should be able to get over any data protection issues.

Holly Jago: We would agree with everything Lawrence said there. We would welcome greater sharing of data between Government Departments. A case in point is the early payment of the winter fuel payment, which was brought up in a private Member's bill by Mike Weir a few years ago. For the off-grid industry, for off-grid customers, that would make perfect sense. Pay the winter fuel payment in the summer when prices are generally cheaper, customers can fill their tanks up in the summer. The industry would welcome it. It smooths out our distribution curve, so it is a win/win. Yet the Government say, "I am sorry, we cannot tell the off-grid industry or we cannot identify who those off-grid customers are who qualify for that. It is too hard".

James Heappey: That is extraordinary.

Holly Jago: It is frustrating. As we understand it, due to the work of the rural Fuel Poverty Advisory Group, DECC is now producing maps of off-grid postcodes. You would hope that DECC can take their data and compare it to DWP data and we could maybe move that particular item forward because that would make a big difference.

Q80 James Heappey: Yes. I am not filled with confidence because we are closing with some pretty dodgy broadband rollouts, and Ofcom, BT and the local authority all have different lists of who has it and who has not. It is not just the Department's work, it is the integration of three sets of data, stuff held by DECC, stuff held by DCLG, stuff held by DWP. In order for it to be useable it needs to be integrated in a very dynamic way. It was mentioned to us in committee last week that DECC are closing with this at best speed, but—yes.

Lawrence Slade: We are encouraged.

Q81 James Heappey: Yes. We heard that trust plays a key role in local approaches to energy efficiency and is one of the reasons that many have been successful. Why have schemes such as the Green Deal and ECO failed to build trust among consumers and the installation industry?

Isaac Occhipinti: I think the complexity, to begin with. For installers, for example, when the Green Deal was launched they introduced a new piece of accreditation that sat on top of existing accreditation called PAS 2030. This cost upwards of £1,000 per year per company, on top of two weeks' worth of training. This was seen as superfluous by many in the industry and it created an instant barrier. Once you start to create a barrier and if you are not engaging with installers, installers then have less demand to go out and deliver. The other problem, of course, as you mentioned, is consumers. If consumers are not engaged, installers are not engaged, there is no natural demand for the product. Therefore, installers just will not go out advertising a scheme that nobody particularly wants.

Holly Jago: I think complexity has a key role to play. If you look at the number of off-grid heating systems that were delivered through Green Deal Finance, out of just over 6,000 total systems, 27 of those were oil or electricity. It is less than half a per cent. You

compare that with the boiler scrappage scheme, where 25% of consumers who were surveyed classed themselves as rural. We are probably not quite comparing apples with apples there, but it gives you an indication of where there is a simple scheme, where people understand it: boiler scrappage, money off your boiler. The manufacturers generally matched that or added their own incentive. A simple scheme: get a voucher, get it installed. Green Deal Finance, far more complicated and you just did not see the uptake.

Stephen Huller: I would probably try to simplify it a little bit more as well. I am not sure whether there is a trust or a distrust issue out there. I think the general public in the main are just ambivalent about the whole thing. I do not think they know enough about it. They have not been engaged enough to understand what the pros and cons are as a mass market. I think the big issue is about what the customer journey is in this. It feels very clunky, the whole journey. From entry and getting the assessment to finally getting the install could be quite lengthy.

Also, what they expected to be able to get the funding for doing different measures within the home—sometimes there were shortfalls. It is that, when they are going through the whole journey, it does not meet whatever they have had outlined as their initial expectations. What we have to do is make sure that we try to fully fund as many measures as possible and deliver them in the best way possible. That is how you start to gain consumer trust.

Isaac Occhipinti: Also tied into that DECC did some surveying and found that 41% of consumers go for advice to their local engineer and a further 20% to their builder. That builds up a picture of where they are getting energy advice from. If they are getting energy advice and they are getting further advice from installers and other tradesmen, that is a vehicle to deliver certain messages and certain marketing, and that was something that the Green Deal failed to take up.

Stephen Huller: It comes back again to, and sorry to reiterate the point, trusted advisers. There are all manner of them to help people make these logical decisions, but we have not worked with them.

Q82 James Heappey: In all of the discussion we have had so far this morning when we are talking about getting to those in need, those who are in fuel poverty, the suggestion is, it seems, that this is all about pushing on to those tenants, those owner/occupiers who are in need, that there is not much pull from them. Is that the right thing to pick up from this? If it is not, how do we encourage that part of the market to pull more for this stuff?

Stephen Huller: I would maybe challenge that slightly as well because I am aware of some direct sales teams out there who were taking these ECO-funded measures direct to the consumer and the consumer was totally unaware of them. As soon as they were aware as to what was available, then they wanted it. It is about, as I say, this education.

James Heappey: But that is in the able-to-pay part of the market.

Stephen Huller: No, that is in ECO. Obviously, you have to acquire customers to be able to do the ECO obligation installations, and a lot of these people were using external sales agencies to do it in all manner of guises. I have direct experience of firms going out to do that, acquiring a quarter of a million customers over the course of a couple of years, and as

soon as you educate them they were willing to listen to the message. It is direct engagement. How do you do that?

Holly Jago: I agree it has to be direct engagement. Particularly with the fuel poor, with the vulnerable, they are very often not willing to self-identify. There is a stigma, they are very concerned about it and they do not want to lose face. Whatever the reasons are, and there are a multitude of reasons, self-certification of fuel poverty is not very high within vulnerable areas. You need that trusted adviser to be able to go in and talk to someone, to talk them through the process. Silly things like people are worried that if the energy efficiency of their rented property is improved their landlord is going to put the rent up. They worry about that, and they do not see the savings that they could be making. People worry they may lose certain benefits if they receive something else or if they have to declare what benefits they are on. People are very cautious about these sorts of issues, and to expect people to self-certify and put their hand up is not always going to work.

Lawrence Slade: I think Holly has hit the nail on the head there around data matching, because if you get data matching right, if you link that in with local delivery agents, the trusted partners here, you solve the self-certification problem and you are starting the conversation in a totally different way. “You are eligible for these measures. It will not cost you anything. This is all we have to do.” It is a different conversation.

Q83 James Heappey: So this is the meter checker or the boiler servicer who has checked on the way up the garden path that—

Lawrence Slade: If Dr Poulter was here, there have also been schemes where we have trialled how you work with local GPs and local health providers. There have been other schemes where you use visitors from the fire service, for example, who are going around and checking smoke alarms and carbon monoxide alarms. There are loads of people out there in addition to the boiler installers and the engineers and so on who can also help with this, but it is how you approach it in a holistic manner. I think that is what we need from DECC and other Government Departments is how you pull all of this together, link it all up and bring the funding to this point where you can bring all these different disparate parties together, because ultimately the goal is helping those people in fuel poverty.

Q84 James Heappey: Thank you. There is a lot of concern among businesses with regards to what will follow ECO after March 2017. What do Government need to do to give you more certainty? Come up with a policy, but when?

Lawrence Slade: As soon as. It is a silly answer, I know, but it is the most logical one. Clarity over extension; give it an extension so people know where they are going over the next 12 to 24 months. Then sit down with industry as soon as possible and work out just how you can deliver this. Who knows what is going to be coming out of the other side of the comprehensive spending review? Is the warm home discount going to survive? Just what funding is available? What is going to be put behind renewable heat? All of these elements feed into how we are going to handle this. Ultimately, from our point of view, if you turned around and said, “There is going to be another ECO, it is going to be supported by data matching and it is going to be targeted 100% at the fuel poor”, we would be happy.

Q85 James Heappey: If it was scrubbed up and put in those new clothes, ECO could carry on? There is no requirement to start again?

Lawrence Slade: There is a requirement to make it easier, faster, more simple to look after. The legions of people who are employed administering ECO is an example of how complex it is. I think you could strip it back to basics and make it simple, easy to deliver, have clear policy objectives, make use of existing standards or leverage building regulations where you can, make it cost efficient, and overall just make it long term so you get the supply chain and you give small companies the framework that gives them the confidence to invest.

Q86 James Heappey: If DECC does not hear our call to come up with a new policy as soon as possible and we get to March 2017 and there is a gap, how exposed is the industry? What sort of impact would that have on jobs and your willingness to invest?

Isaac Occhipinti: We do not have any members who are insulation based, but I know for them this would be a serious, serious issue. I think from a heating perspective it would slow down the amount of new boilers that are installed for people who need them in fuel poverty in a very simple way. The boiler industry would carry on, but people who need those boiler replacements may no longer be able to have them.

Stephen Huller: I think if you are going to grow a business in the UK you cannot have the volatility of the ECO funding line, especially if that is a big part of your business, because what happens if that changes? You are left exposed. You need to adapt very quickly. You need the balance between ECO and able to pay. If we cannot get something that fits in the able to pay space that is probably more stable than the ECO side, then you would have to question whether you even grew a business in the UK. That is obviously speaking as somebody that is looking at growing a business in the UK.

Q87 James Heappey: Yes. That is a concern that you think is shared by your colleagues across the industry? Because it leads me to ask: what does DECC need to do to support the development of a sustainable market for energy efficiency and to give you real confidence that Government are serious about this and that there is a genuine belief that we need to improve energy efficiency in homes, both in the able to pay and the unable to pay parts of the markets, so that you could see this as a 20, 30, 40 year—

Stephen Huller: This might be a bit of a glib response, but you talked about bringing something out by March of next year. What I would say is it is worth taking the time to come out with a sustainable, stable, less volatile policy that would allow business to grow on both sides of that fence, be it able to pay and ECO. If you cannot do that by March and you end up rushing something out there, then we may end up going through exactly the same process that we have over the last few years.

Isaac Occhipinti: I think, encouragingly, DECC in the last three to four months have been engaging with industry, especially our side, on a much more proactive basis. They have set up a working group between the heating industry and DECC to look at what policies could be introduced to improve energy efficiency. So we are encouraged by certain very recent developments within DECC.

Q88 James Heappey: That interaction is giving the industry as a whole some sense of reassurance that DECC understands the failings of ECO and is going to address them? The data integration bit is the bit that I am nervous about.

Lawrence Slade: Yes. As I said earlier, it gives encouragement that they are listening. I think there is a whole number of hurdles to be jumped before we get there, but it is certainly a positive sign. I would go along with what Isaac is saying in that regard.

Stephen Huller: What I would like to say is I do not think there was ever any question that DECC were not listening. If you go back to the original design of Green Deal, they were obviously listening. They were engaging with wide audiences of people. The thing is that when you engage with wide audiences you have an awful lot of vested interests that start to go into the melting pot, and how do you get through that to come up with the right thing that is sustainable? I think that is the challenge that DECC has, out of all the noise that they will hear how do they make the right decisions that allow this thing to grow and flourish?

Holly Jago: I think, as well, DECC need to be very clear about what success looks like. It comes back to the very first item that we discussed this morning. What does DECC want to achieve with this? What do the Government want to achieve? Is it about treating the hardest to treat, the hardest to reach, the solid wall properties? If it is, that is going to be expensive. There was a tension that was highlighted in the fuel poverty strategy that said, “We cannot treat the hardest to treat and still achieve large numbers”. That tension was in the strategy. I do not believe there has been an answer to that.

The problem is the solid wall area of ECO, that part of the obligation was pulled. It was pulled overnight, which left the solid wall industry in a very difficult place. There needs to be that consistency there. It needs to be: what are we trying to achieve here? Let’s be very clear about that. Who are we trying to target, what do we want to achieve, and what does the policy look like to achieve that? Then some consistency that says, “We will commit to this for a set period of time and not change things overnight, not change direction, and not take £50 off bills because it is a political point that needs to be made”. It is the consistency.

James Heappey: That is clear. I think we have cracked it.

Holly Jago: Great!

Chair: Well, thinking we have cracked it is probably quite a suitable point to end the session this morning. Can I thank all four of you for coming here and being so helpful to the Energy and Climate Change Committee as we look at these issues? Thanks a lot for coming.