



Department for Energy Security & Net Zero

Dr Miatta Fahnbulleh MP
**Department for Energy Security &
Net Zero**
55 Whitehall
London
SW1A 2HP

www.gov.uk

Baroness Sheehan
Chair
Environment and Climate Change Committee
House of Lords
London
SW1A 0PW

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Dear Shaista,

Laying of the Electricity and Gas (Energy Company Obligation) (Amendment) Order 2025

I am writing to inform you of the intention of the Department for Energy Security and Net Zero to proceed with laying the above statutory instrument.

This instrument amends the Great British Insulation Scheme (GBIS) and the Energy Company Obligation 4 scheme (ECO4). These are the government's largest schemes for improving domestic energy efficiency. They obligate the larger energy suppliers to deliver bill savings for households by installing energy efficiency measures. Since January 2013, when the first ECO scheme began, up until February 2025, ECO4 has delivered over 4.2 million measures in around 2.5 million properties and GBIS has delivered over 70,000 measures in around 55,000 properties. Around 9% of households in Great Britain have had an ECO measure installed. Those receiving upgrades from ECO4 and GBIS will see their bills reduce by an average of around £470 and £250 per year, respectively.

However, GBIS delivery has been significantly below the targets set for energy suppliers, and we see no realistic prospect of the original target being met. The changes this statutory instrument introduces are expected to simplify and improve delivery, enabling greater progress on tackling fuel poverty. The main change is to take the pragmatic step of ensuring bill payers get the best value for money by allowing delivery achieved under ECO4 rules to count towards GBIS. This will enable supply chain capacity to be better utilised and ensure as many bill savings as possible are realised for households.

GBIS and ECO4 will run until March 2026 alongside other important schemes from our Warm Homes Plan like the Warm Homes: Local Grant and the Warm Homes: Social Housing Fund. Together, these schemes support those least able to upgrade the energy efficiency of their homes.

Specific changes

To improve GBIS delivery, we will:

- Allow Annual Bill Savings (ABS) associated with ECO4 delivery to count towards energy suppliers' GBIS targets, capped at 75% of the GBIS target. This change will enable greater delivery of energy efficiency measures to more fuel poor homes.
- Subject ECO4 ABS reassigned to GBIS to a conversion factor of 1.251. That is, each ABS delivered through ECO4 will be worth 1.251 ABS in GBIS. This will enable the GBIS target to be achieved within its original budget.
- Introduce an additional, separate conversion factor for GBIS ABS achieved above 25% of an energy supplier's GBIS target. The conversion factor applied to this GBIS delivery will be 1.716. That is, for any delivery above that required to meet 25% of an energy supplier's GBIS target, 1 ABS will be worth 1.716 ABS. This will equalise the cost of achieving 1 ABS under either scheme and incentivise as much GBIS delivery as possible, ensuring energy suppliers are not disadvantaged in achieving more than 25% of their original GBIS target.
- Allow combinations of two, lower-cost, insulation measures to be eligible for GBIS. Previously, only one insulation measure could be installed per household. We will now allow any two of cavity wall, loft, underfloor, solid floor, and pitched roof insulation to be installed together in the same home. These lower-cost measures will ensure the spend per home is kept low while incentivising more homes to be treated.
- Allow smart thermostats to be installed in owner-occupied households in the low-income group for GBIS. This will benefit low-income households leading to enhanced energy efficiency, better control over heating, cost savings for households and will increase the range of measures that can be installed.

This statutory instrument also introduces minor changes, including:

- Introducing a voluntary consumer pledge during an ECO4 or GBIS installation to boost smart meter adoption.
- Specifying that shared ground loops can be considered for the Innovation Measure route under ECO4.
- Updating the rural area definition to reflect the Office for National Statistics (ONS) and Scottish Government updated datasets.

The statutory instrument was laid in draft, under the affirmative procedure on 11 June 2025.

I hope this information on these vital changes to realise greater delivery of energy efficiency measures to fuel poor households is helpful.

Yours sincerely

DR MIATTA FAHNBULLEH MP
Minister for Energy Consumers