

# Energy Saving Trust's response to the Department for Business, Energy and Industrial Strategy consultation

## 'Design of the Energy Company Obligation ECO4: 2022-2026'

Energy Saving Trust is an independent organisation dedicated to promoting energy efficiency, low carbon transport and sustainable energy use to address the climate emergency.

A trusted, independent voice, we have over 25 years' sector experience. We provide leadership and expertise to deliver the benefits of achieving carbon reduction targets: warmer homes, cleaner air, healthier populations, a resilient economy and a stable climate.

Our work addresses the challenge of reaching net zero carbon emissions by 2050 by taking action to reduce energy consumption, install new infrastructure and accelerate a move to sustainable, low carbon lifestyles.

We empower householders to make better choices around home energy efficiency, low carbon transport and renewable energy generation.

We support businesses and community groups across the UK and internationally with strategy, research and assurance.

We deliver transformative programmes on behalf of the UK, Scottish, Welsh and Northern Irish governments to support the transition to a low carbon society.

We work with local authorities, providing support and advice to help them tailor their responses to the climate emergency. We enable everyone to play their part in building a sustainable future.

We welcome the opportunity to respond to this consultation, we have focused our response on areas of most relevance to low carbon heating, energy efficiency and net zero.

### **21. Do you agree that ECO should target SAP band D, E, F and G homes?**

Yes, it is our view that support through ECO should target the least efficient homes and those most likely to be experiencing fuel poverty. While we understand the rationale for including EPC D-rated homes as these represent the average UK home we also welcome the attempts made in these proposals to incentivise retrofit for the least efficient properties. Our view is that the 'worst first' principle should apply and every effort should be made to prioritise E, F and G-rated homes.

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**22. Do you agree that band F and G homes should be improved to at least a SAP band D, and that band D and E homes should be improved to at least a SAP band C, as a minimum requirement to receive a full project score?**

In our view the target should be to improve all homes receiving support through ECO to at least an EPC C regardless of their EPC rating prior to improvement. The prioritisation of whole-house retrofit approaches and commitment to incentivising work on hard to treat homes through a score uplift is welcome. But we think that upgrading a G-rated home to a low EPC D risks storing up problems for the future with subsequent retrofit required to achieve our net zero aspirations.

We note in the consultation document the BEIS had considered mandating that all homes reach EPC C but decided against this as it is not technically or economically feasible to achieve this uplift for all homes. We accept that for a limited number of homes this will be the case but achieving the MEES uplifts will require all homes that can get to C to do so by 2030. With this in mind, we argue that ECO4 should mandate that all eligible homes should reach EPC C with some provision in place for ‘acceptable fails’. A similar approach has proven effective in Wales through the Welsh Housing Quality Standard for social housing and in Scotland the Energy Efficiency Standard for Social Housing. We very much support a whole-house approach, and we recognise that it is important to adopt a “touch once” principle to minimise disruption for consumers. The consultation document states: “Furthermore, it is unlikely consumers would welcome the repeated disruption associated with multiple single measure installations as we progress towards our 2030 target”. Consumers whose homes are improved through ECO but do not reach an EPC C before 2030 (or EPC C by 2025 for the PRS) will face similar bouts of disruption towards the end of the decade as new measures are fitted to meet the MEES requirements unless a more ambitious retrofit approach can be taken to bring their homes up to an EPC C in the first instance.

**26. Do you agree with the proposal that households in receipt of WHD also be eligible under ECO4, if they live in band D-G homes?**

Yes, we made this point in our response to the recent WHD consultation. While the WHD provides a lifeline to vulnerable consumers every winter, and the proposed improvements to the scheme will enhance this work, the WHD by itself does not tackle the root causes of high energy costs and fuel poverty. Households receiving support through WHD should certainly be eligible under ECO4.

**27. Do you agree that up to 50% of the ECO target could be delivered through LA & Supplier Flex?**

Yes. Projects delivered under ECO Flex in the current iteration of ECO have been some of the most innovative and successful elements of the scheme. It was good to see within the consultation

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document a recognition that implementing a one-size-fits-all approach to eligibility and targeting would risk some vulnerable households falling through the gaps. And similarly, it was good to see the recognition that local authority referrals would go some way to reaching vulnerable households. We also welcome the proposals for a limited amount of Supplier Flex, this seems to be a sensible approach, particularly as it could allow suppliers to identify and support customers who are in sustained energy debt, something which local authorities may struggle to do without ready access to this information. Our primary concerns relate to how local authorities will be supported in identifying vulnerable consumers through the collection of information regarding income level, developing project proposals and applying for funding. We have seen through ECO3 Flex that some local authorities have been very proactive and successful at leveraging in ECO funding have dedicated staff and strategic plans for their areas. Other local authorities have not engaged with ECO as much, despite often representing areas that would benefit greatly from ECO funding. This difference is often due to financial constraints, almost all local authorities have seen real term cuts in their funding over the past decade. There are also significant knowledge and skills shortages within some local authorities. There is a risk that vulnerable consumers may not be able to accessing ECO support because their local authority happens to not be geared up to deliver ECO Flex. This will become an even more significant issue if 50% of the total annual ECO fund (£500m) is to be delivered by local authorities. To counter this a programme of advice and training should be made available to all local authorities with funding provided to allow them to employ dedicated staff to work on ECO in their area. This work should start immediately given the short amount of time until ECO4 commences. Lessons can be learned here from Scotland where the Scottish Government funds a dedicated ECO Manager to work with Scottish local authorities to strengthen their ECO bids. Because of this Scottish local authorities have been able to leverage in much more ECO funding than they otherwise would have and has supported local authorities that may not have otherwise been resourced to engage with the ECO process.

The addition of medical referral routes under LA and Supplier Flex is welcome and there may be useful lessons to draw from the Welsh NEST scheme (which we manage alongside British Gas on behalf of Welsh Government) and particularly the Health Conditions Eligibility Criteria which allow consumers on low incomes who are also living with chronic respiratory, circulatory or mental health conditions to access free home energy efficiency improvements.

**31. Do you think the Scottish and Welsh Governments should be able to refer households under LA & Supplier Flex, instead of local authorities in those countries?**

We believe that this option (i.e. that the Scottish and Welsh Governments should be able to refer households under LA and Supplier Flex) should be made available to the Scottish and Welsh Governments should they wish to take it. **32. Do you agree that off-gas uplifts of (a) 35% should be applied to Scotland and Wales; and (b) not applied in England, where the Home Upgrade Grant is available?**

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- a) Energy Saving Trust supports the application of an off-gas uplift applied to Scotland and Wales if this ensures that ECO4 is no harder to deliver in off gas areas in Scotland and Wales than in England. We have not undertaken any analysis on the level of uplift so have no specific comments on this.
- b) No response.

**33. Do you agree if a measure is funded under ECO, then other grant funded schemes should be prohibited from blending with the same measure under ECO?**

We have concerns that ECO on its own will not be sufficient to encourage suppliers to install some of the more expensive measures such as the more expensive solid wall types that are left (particularly in Scotland and Wales). We therefore suggest that the UK Government should allow a limited (capped) number of ECO funded installations to also receive support from other grant funded schemes.

**34. Do you agree homes could benefit from multiple funding if (a) it is not for the same measure; and (b) if other grant funded measures are installed either before ECO4 or after all the ECO4 measures?**

Yes, given the cost associated with retrofitting homes it is important that homes are able to benefit from multiple funding sources. If the final decision from BEIS is as proposed i.e. if a measure is funded by ECO then other grant funded schemes should be “*prohibited from blending with the same measure under ECO*”, we agree that homes could benefit from multiple funding if a) it is not for the same measure; and b) if other grant funded measures are installed either before ECO4 or after all the ECO4 measures.

**37. Do you agree with our proposal to (a) support low income private rental households, with the design being subject to the outcome of the PRS consultation; and (b) limit support to packages of measures that meet the MR including solid wall insulation, first-time central heating, a renewable heating system or district heating?**

*Have included elements of our response to the PRS consultation because this document assumes that the £10,000 cap will be implemented which we argued against.*

On a) yes, we support this proposal. There are around 5 million homes in this sector in England and Wales, 67 percent of which are below an adequate energy efficiency level at Band D or below. Many of these households in the private rental sector are among some of the most vulnerable and most in need of support and it is right that they should be eligible for ECO4 support. However, private sector landlords should also be held responsible for maintaining their properties and adhering to the relevant regulations. For this reason, regarding b) we agree that support through ECO4 should be restricted to some of the more expensive and impactful retrofit measures such as renewable heating systems and solid wall insulation with robust policing of landlords to ensure that they are fulfilling their obligations as housing providers.

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We note that while currently, the Social Housing Decarbonisation Fund and the Private Rental Sector Minimum Energy Efficiency Standards will help secure a boost in investment for social and private rented properties, currently there are currently no incentives or subsidies for owner occupiers, although government may introduce incentives through the forthcoming Heat and Buildings Strategy. ECO 4 must ensure adequate support for owner occupiers, and dovetail with any forthcoming government schemes, to ensure no one slips through the net within the current suite of measures.

Regarding the ‘Improving the Energy Performance of PRS Homes’ consultation and the design of any future scheme our view is that the government’s preferred proposal (Option B) which uses the headline cost-based metric (EER) on the EPC and a maximum investment cap of £10,000 risks stimulating an increase in gas boilers upgrades and other measures at the expense of thermal and low-carbon heating measures. This outcome should be avoided if possible with a focus on a whole-house and fabric first approach as a priority.

The consultation also outlined alternative proposals including a ‘stretch’ proposal (Option D) which would require landlords to meet Band C using both the cost (EER) and carbon reduction (EIR) metrics with a higher investment cap of £15,000. Our view is that this proposal is better aligned with net zero, the need to get the stock ‘low carbon heat ready’ and would be more effective at tackling fuel poverty.

Compared with the government’s preferred option (Option B), the stretch proposal would:

- Deliver almost double the carbon reduction (10.4MtCO<sub>2</sub> rather than 6.1MtCO<sub>2</sub> over the period of the 5th Carbon Budget)
- Triple the volume of low carbon heating (700,000 compared 210,000 heat pumps).
- Double the number of ‘worst’ homes bought up to standard (70 percent of Band F and G homes to C compared with 33 percent for Option B).
- Likely reduce the amount of ECO4 money needing to be spent in the PRS.

Our response also crucially argued that for many landlords, particularly in regions of England and Wales where neither rental revenue nor asset values will support the necessary financing, it will be necessary to allow access to alternative means of low-cost, government-backed loans attached to the property rather than the owner (where this can be shown not to increase overall bills for the tenant). Our full response can be found on our website:

<https://energysavingtrust.org.uk/report/consultation-response-to-improving-the-energy-performance-of-private-rented-sector-homes/> we would also be happy to speak further on these issues if that would be useful.

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**38. Do you agree with the proposal to (a) allow social housing tenure with starting bands of E, F and G to be eligible under ECO4; and (b) continue eligibility for band D social housing under Innovation Measures?**

- a) Yes. The total number of social housing properties rated E, F and G is relatively small but it is likely that many of the tenants of these properties will be at risk of being in fuel poverty. It is right that these households should be supported through ECO4 as well as the relevant social housing-specific support schemes.
- b) Yes. Particularly as the proposed reforms should work to encourage greater installation of more costly but effective IMs and measures which deliver against wider decarbonisation and environmental goals by suppliers and social landlords.

**39. Do you agree that the minimum requirements should apply to E, F and G social housing and band D social housing for IM?**

Yes. Though as we lay out in our response to Question 22, in our view homes that are supported through ECO4 should achieve at least EPC Band C post-improvement.

**42. Do you agree with our proposal to introduce the proposed minimum insulation preconditions for all homes receiving heating measures?**

Yes, we agree with the proposal to introduce minimum insulation preconditions for all homes receiving heating measures. Energy efficiency is the most effective long-term guarantee of a housing stock that uses less energy. Minimum insulation preconditions will ensure that energy saving is ‘locked in’ and will make dwellings much cheaper to heat (because less heat is needed) and more comfortable to live in. A well-insulated home will also reduce new heating system costs as there is less demand (than would otherwise be the case) on the grid. And, as the consultation notes make properties “*more compatible with lower temperature heating systems*”

**43. Do you agree with our proposal to exclude the repair and replacement of oil and LPG boilers?**

Yes, we support the UK Government’s intention to fully align ECO with their decarbonisation strategy and exclude the repair and replacement of oil and LPG boilers.

**47. Do you agree with our proposal to require all new gas boilers installed throughout GB to meet the Boiler Plus standards?**

Yes, we agree with BEIS’ proposal to require all new gas boilers installed throughout GB to meet the Boiler Plus standards.

**48. Do you agree with our proposal to restrict first-time gas central heating to households already connected to the gas grid?**

Yes, we agree with the proposal to restrict first-time gas central heating to households already connected to the gas grid. As the consultation document notes this aligns with the UK

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Government's delivery of their off-gas net zero goals and will prevent the expansion of reliance on natural gas.

However, we are concerned that this proposal as it is currently worded could mean new homes or flats that are currently electrically heated but are also on-gas, may be fitted with a gas boiler. These homes are suitable for low carbon heating such as an air source heat pump or a communal renewable heating system. Wherever possible a low carbon heating system should be installed in favour of a gas boiler, and always where the running costs of a low carbon system would be equal or lower than a gas boiler.

For example, a Carbon Trust [report](#) signifies that flats with electric underfloor heating that are also on-gas can be replaced with heat pumps. Eight blocks of flats in Enfield had 3 6kWh heat pumps feeding off a shared ambient temperature ground loop, and bills were reduced from £900–£1,100 to £260–£400 per year. They delivered better fuel bill savings than a gas boiler.

**49. Do you agree with our proposal for all new wet central heating systems to be installed as a “low-temperature heating system”?**

Yes, we agree with the proposal for all new wet central heating systems to be installed as a “low temperature heating system”. As the consultation document notes this will help to “*support fuel poor homes in transitioning to low carbon heating*” by making it easier and cheaper to install a low carbon heating system in the future.

**51. Do you agree with our proposal to restrict biomass boilers or district heating systems to off-gas grid homes that are not electrically heated and cannot reasonably or practicably receive a hydronic heat pump?**

Yes, we agree with BEIS' proposal to restrict biomass boilers or district heating systems to off-gas grid homes that are not electrically heated and cannot reasonably or practicably receive a hydronic heat pump.

**52. Do you agree with our proposal to restrict the installation of electric heating (that is, or equivalent to, a high heat retention electric storage heater) to homes that are already electrically heated and where it is not reasonable or practicable to install a hydronic heat pump, district heating system or a solid biomass heating system?**

Yes, we agree with the proposal to restrict the installation of electric heating (that is, or equivalent to, a high heat retention electric storage heater) to homes that are already electrically heated and where it is not reasonable or practicable to install a hydronic heat pump, district heating system or a solid biomass heating system.

**Question 54: How should suppliers be required to demonstrate that a flexible heating system is safe, secure, smart-enabled and installed with sufficient energy storage, and in a way that means the heating system will operate flexibly**

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It may be relevant to consider EU level work to develop a smart readiness indicator – perhaps this could be adopted/adapted for the UK. The EU X-tendo project of which Energy Saving Trust is a partner in the UK is testing and developing this indicator. In collaboration with VITO, the Belgian agency who are leading this "smart readiness indicator" work – we would be happy to provide more information.

[sri\\_1st\\_technical\\_study - final\\_report.pdf \(smartreadinessindicator.eu\)](#)

**78. In the event that separate rules are made for ECO in Scotland, do you agree with the proposal to: (a) apportion the cost envelope between England & Wales and Scotland using a methodology based on the total amount of gas and electricity supplied in each region, with an equal weighting for each fuel? (b) that the calculation is based on an average taken from the last three years of domestic gas and electricity consumption data published annually in December by BEIS?**

We have not carried out a detailed analysis, but any calculation should adequately reflect the higher expenditure and therefore contribution to ECO by Scottish bill payers, as Scotland has less access to cheaper gas, higher fuel use due to weather and climate, and higher tariffs in many areas.

**81. Do you agree with our proposal to allow an extension of three months to be permitted by Ofgem in certain circumstances?**

Yes. We think that allowing an extension period when schemes intend to install more ambitious or technically challenging measures should be permissible. Allowing an extension will go some way to removing the time constraint barrier that might prevent suppliers from installing, for example, heat pumps which will be essential to meet decarbonisation goals.

**92. Do you agree that all measures (excluding DHS) referenced in the latest versions of PAS2035 and PAS2030 should be installed in accordance with these standards and delivered by a PAS-certified installer?**

Yes, because it is essential that the sector continues to increase in skill and the quality of its work and that households having measures installed through the ECO scheme can be confident that the work is being undertaken to a good standard.

With this said, we recognise that installers are increasingly having issues with implementing PAS2035 standards. It is important the Government provides support to ensure all installers are equipped with the skills and qualifications to deliver. We encourage greater dialogue between installers and the Government regarding the PAS 2035 standard to ensure workability, and consider measures to avoid disruption to the supply chain. Government support would help more SMEs to engage with the ECO scheme.

**93. Should this requirement be enforced entirely via TrustMark registration and compliance, and therefore not referenced in ECO4?**

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No, we think there is value in referring directly to PAS standards and requiring homes to be retrofitted to these standards in the ECO4 legislation.

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