Government retrofit policies – ECO4 and ECO+

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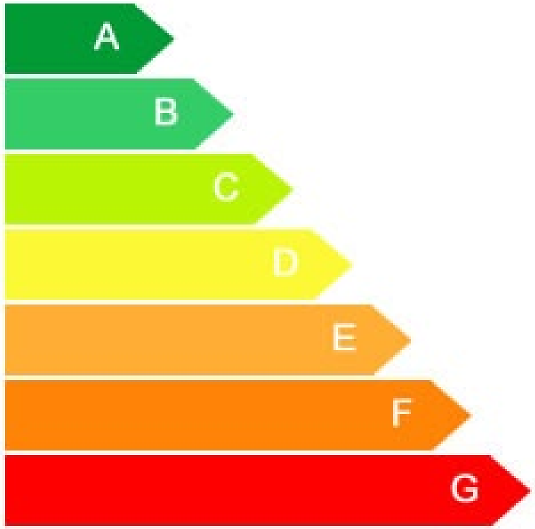

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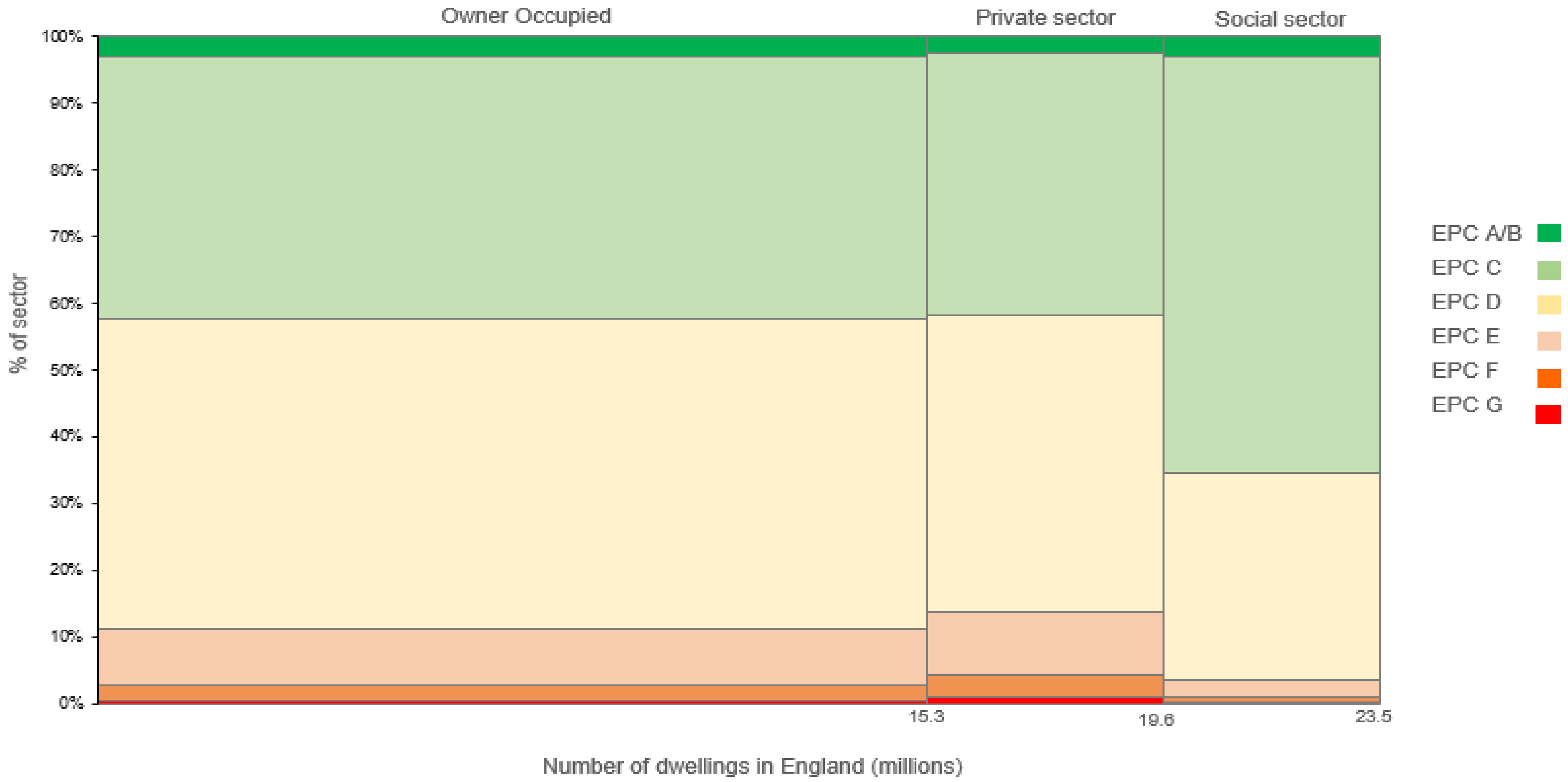
The context



Owner Occupied
Private sector
Social sector
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
% of sector
15.3
19.6
23.5
Number of dwellings in England (millions)
EPC A/B
EPC C
EPC D
EPC E
EPC F
EPC G

Capital schemes overview

LAD	HUG	SHDF
• **Phase 1** - **£200m** in grants to over 136 local authorities • **Phase 2** - **£300m** allocated to the five Local Energy Hubs • **Phase 3 –** (part of sustainable warmth competition) - **£287m** allocated to local authorities Mainly on-gas focus; £10K cap, D-G	• **Phase 1 -** (part of sustainable warmth competition) - **£287m** allocated to local authorities • **Phase 2** – up to **£700m** will be allocated to be spent over next two financial years • Application windows of November 2022 and January 2023 Off-gas; D-G; higher spending caps depending on efficiency and fuel type	• The **£62m** demonstrator project launched in 2020 • **Wave 1 - £179m** for financial year 2021/22, delivering to January 2023. • **Wave 2.1 –** up to **£800m** over next two financial years • Application window closed 18 November 2022 Improving social homes to at least a Band C

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ECO4 – objectives and policy

- Continued focus on low income/fuel poverty
  - Means-tested benefits
  - Social housing EFG
  - ECO Flex
- Focus on least efficient
  - EPC D and below
  - EFG private tenure minimum of 150,000 homes
- Make greater progress per property - minimum requirement:
  - F&G to at least a D
  - D&E to at least a C

ECO4 – early insights

- Contracts in place but it has been a slow start
- Some installers aim to start delivering next year
- Only one large supplier on/ahead of linear run rate
- Over 29,000 ECO4 measures completed ~3.9 measures per home
- Average SAP improvement 31 points
- 96% of homes treated are E, F or G – likely to be the main focus for the foreseeable future
- Reports of difficulty in meeting MR, especially on-grid, even with SWI – albeit 78% of installs on grid

Common challenges

- Rapid rise in energy prices – impacts on cost-effectiveness
- Materials prices – hard to set targets, forecast and LAs to bid
- Relative prices between measure types
- Supply chain knowledge – improving our evidence base
- Competition between schemes – driving up prices?
- How will ECO+ affect existing schemes?

ECO+ Aims and Objectives

Reduce household energy bills (~ average savings of ~£300 per year) directly addressing the **cost-of-living crisis**

Ensure **faster roll out of energy efficiency measures to a larger pool of households** both low-income and the least efficiency homes of those who otherwise receive no support

Contribute to **decarbonisation** and **fuel poverty targets** while increasing energy security and **resilience**

Obligation Target

£1bn over 3 years April 2023 – Mar 2026 with annual targets

Unlimited carry over + 10% annual "carry under"

Paid through the EPG (HMT review underway)

Early delivery permitted

ECO+ Policy snapshot

Eligibility

"Low-income" Households in line with ECO4 eligibility – at least 20% of target

"General Eligibility" Council tax bands A-D in England (A-E in Scotland, A-C in Wales), EPC of D and below

EPC bands D and E, F and Gs that don't meet the ECO4 Minimum Requirement

Encourage increased LA and Supplier Flex + digital referrals

Measures

Single insulation measures only with secondary heating control for low-income

No Minimum Requirement

Predominantly loft and cavity wall insulation fully funded

High-cost insultation measures with a customer contribution

Standards

ECO+ Trustmark License Plus introduced for single low risk measures

PAS 2035 for high-risk complex measures

New test established to prove EFGs don't meet the ECO4 Minimum Requirement

Questions?