

A British Property Federation response to:

The Green Deal: Watching brief ii

A written submission to the Energy and Climate Change Committee

Background

BRITISH PROPERTY FEDERATION (BPF)

The BPF represents companies owning, managing and investing in property. This includes a broad range of businesses comprising commercial property owners, the financial institutions and pension funds, corporate landlords, residential landlords, as well as all those professions that support the industry.

Buildings alone generate almost half of all CO₂ emissions in the UK - 27% from the 26 million residential dwellings and 17% from the 2 million non-domestic buildings. The BPF has a dedicated team for sustainability issues, reflecting the priority which its leading members place upon issues of climate change and resource efficiency. We also provide Secretariat support to the Green Property Alliance, a group of the leading organisations representing both landlord and tenant interests (Association of Real Estate Funds, Better Buildings Partnership, British Council of Shopping Centres, British Council for Offices, BPF, Investment Property Forum, Royal Institution of Chartered Surveyors, UK Green Building Council and the Urban Land Institute).

FOR FURTHER INFORMATION AND FOLLOW-UP

We would be delighted to expand upon any aspect of this response and to provide further supporting information. Please contact in the first instance: Matthew O'Connell (Policy Officer), British Property Federation, 5th Floor, St Albans House, 57-59 Haymarket, London, SW1Y 4QX Tel: 0207 802 0126 Fax: 0207 834 3442 Email: moconnell@bpf.org.uk

Is the level of public awareness about the Green Deal satisfactory?

1. While it is hard to quantify the current awareness of the Green Deal, the majority of press exposure marking its anniversary has either been in relation to its poor level of uptake or guides examining its value for money. Its public perception is that it is a complex scheme that may not be cost effective.
2. In relation to the Private Rented Sector (PRS), it is anticipated that landlords will be unable to let out properties that do not have an Energy Performance Certificate (EPC) of E or higher. We have worked closely with DECC on the development of a report to be submitted to Government containing proposals for the introduction of the Minimum Energy Performance Standards. To give landlords as much time to comply with any upcoming regulations it is important that clear guidance is issued as soon as possible and is supported by an effective communication campaign.
3. The current public awareness of the Green Deal is not difficult to judge, its poor uptake so far clearly indicates that even if consumers are aware of it, they are voting with their feet and not engaging with it.

How effective have DECC's communications regarding the Green Deal been?

4. An FOI request in July 2013 revealed that DECC had spent £3.74 Million from April 2011 to the end July 2013. Despite this, research conducted by uSwitch in January 2013 revealed that only 19% of consumers had heard of it.
5. The challenges of implementing the Green Deal were somewhat gleefully splashed across the papers and consumer websites. Without a substantial response from DECC, this initial vacuum has resulted in widespread concerns about high interest rates, charges for early repayment and the perceived complexities of the scheme becoming the default setting for most discussions about the Green Deal.

Has the Cashback incentive been effective in raising awareness of the Green Deal?

6. No, the most recent statistics from DECC published in the monthly data report released on 21 January 2014 shows that only £2,456,944 has so far been claimed in Cashback vouchers. This is a fraction of the £125,000,000 that has been made available for the scheme.
7. It is our understanding that the Cashback deadline will be extended to June 2014, while this extension is welcomed, we would argue that the deadline should be extended by another 12 months to give PRS landlords time to access it. If one considers the amount of money still available and the fact that the PRS represents 17% of the housing market it is important that the 3.8 million properties in the PRS are offered the same opportunities as the rest of the housing market.

Are take up levels for the Green Deal satisfactory?

8. No, the uptake has clearly been poor. A significant reason for its lacklustre performance in the PRS is due to issues surrounding the way in which the Green Deal relates to the Consumer Credit Act 1974. This has hamstrung the Green Deal in the PRS due to confusion as to who is perceived to be the debtor under the terms of any Consumer Credit agreement. In the owner occupied market, the person who signs the Green Deal Plan and Consumer Credit Agreement will be the same. The assumption in the PRS is that the landlord will sign the Green Deal Plan but the tenant will be the person responsible for paying off the loan through the savings the installed measures will realise. Amendments to the CCA are currently being consulted on that are intended to overcome these obstacles.
9. Further to this, the principle of the Green Deal as a pay as you save mechanism offers landlords the perfect opportunity to upgrade their stock at no direct cost to themselves as the tenant pays off the loan through their energy bills. However, as both the tenant and landlord must agree to the Green Deal there is a concern that any attempts at carrying out improvements on the property may be blocked by tenants who will not benefit financially – their energy costs will remain the same. An effective way of overcoming this would be to offer the tenant Cashback incentives.

Is there sufficient take-up to meet the UK's goals for reducing carbon emissions and keeping down bill costs?

10. No. The UK is legally bound by the Climate Change Act 2008 to reduce its Greenhouse Gas emissions by 34% by 2020. Given that 25% of UK emissions come from domestic property there are substantial savings to be made which are not currently being achieved.

11. The Committee on Climate Change stated in its report 'Meeting Carbon Budgets' that over two million homes need to have installed solid wall insulation by 2022, for the UK to have any chance of meeting its carbon budgets. The most recent statistics show that to the end of November 2013 only 22,313 solid wall measures have been installed under ECO.

Are there key points of the Green Deal process at which customers are dropping out? If so, why?

12. The initial assessment is putting off consumers, the average price of an assessment is £125. There are offers in part of the country that reduce the cost of an assessment and this should be explored nationally. Further to this, as Green Deal assessors can be linked to other Green Deal companies and working on commission, we are concerned that there may be an element of salesman tactics occurring with those carrying out the assessment recommending only those measures installed by their affiliated company.

Is there any evidence that consumers are installing energy efficiency measures on the back of Green Deal advice but not using Green Deal finance?

13. There is anecdotal evidence that consumers are choosing to fund measures by other means due to reluctance to put further debt on the property. This includes paying for the measures outright, using a credit card, increasing their mortgage to pay or taking out a personal loan that to avoid any debt remaining with the property should they decide to sell.
14. However, as DECC does not collect data on energy efficiency measures installed privately it is impossible to say with any certainty. Most landlords will have a tradesman that they have a good working relationship with and as the Green Deal requires a certified installer to complete the works to ensure quality workmanship, it is possible that consumers are using the Green Deal Assessment to identify the best measures, then installing them using their own installers.
15. Another possible reason for the small number of people taking on Green Deal finance compared to those carrying out Green Deal assessments could be because an assessment is required to be eligible for other schemes such as the Renewable Heat Incentive.

Are Green Deal customers achieving financial savings in practice?

16. The Green Deal Golden Rule states that consumers should not have to pay back any more than the savings they make on their energy bills, realised by the energy efficiency measures installed. The essence of the Green Deal is that it funds energy saving measures without the necessity to pay any upfront costs.

Is the Green Deal providing customer satisfaction?

17. The Government created the Green Deal ombudsman to handle complaints arising from the Green Deal. Ofgem and the Financial Services Authority also handle complaints related to aspects of the Green Deal. They would be the logical place to gauge customer satisfaction or common issues that scupper Green Deal plans.

Are satisfaction levels disproportionately high or low for any particular group of people?

18. Satisfaction levels for landlords are very low. There were many who were looking to take advantage of the Green Deal when it first launched but they have become jaded by the problems that have beset the scheme. The Green Deal needs a suitable package of financial and behavioural incentives to tempt landlords into re-considering the Green Deal.

Have the Green Deal and ECO had any impacts on the supply chain and job creation?

19. The cuts to ECO announced at the Autumn Statement have decimated the insulation industry, potentially putting thousands of jobs at risk. Slashing the solid wall targets of the Carbon Emissions Reduction Obligation (CERO) element of ECO has allowed the energy companies more time to discharge their obligation through cheaper and easier measures like loft and cavity wall insulation. The result of this is that the energy companies have backed out of deals made with housing associations and local authorities across the country. We would argue that requiring those that sell energy to be given the responsibility of saving energy is not the soundest model.

Are DECC's stated aims and objectives for the Green Deal and ECO satisfactory?

20. We are very supportive of the Green Deal and have been working alongside DECC to overcome the Consumer Credit issues that have hampered the Green Deal in the PRS. Insulating the nation's homes will reduce pressure on resources, reduce costs, increase comfort and help the country meet its legally binding carbon reduction targets. The original aim of ECO was to
21. *'be a significant driving force, providing market certainty; promoting innovation and investment within the supply chains; and driving down costs and ensuring that all consumers really can improve their homes and benefit from the Green Deal.'*¹
22. We were supportive of the original aims of ECO but would argue that those stated objectives are no longer the priority. The Government is reducing energy bills in the short term at the cost of future energy bills. The lack of clarity emanating from Government on green policies is creating an atmosphere of distrust and cynicism regarding new initiatives.

Could DECC take further action to improve the Green Deal and ECO?

23. The Green Deal Cashback scheme should be extended; less than 2% of the money has been claimed so far and with PRS landlords only now being able to access the Green Deal the incentive package needs to remain in place and increased.
24. If landlords are to be encouraged to reconsider the scheme the Government has to ensure that there are no upfront costs, this could be achieved by manipulating the Golden Rule to allow more expensive measures such as solid wall insulation or providing funding to cover measures that would ordinarily fall outside the Golden Rule.

¹ [Extra help where it is needed: a new Energy Company Obligation. May 2011](#)