

---

# The role of MBIs in the UK energy efficiency policy framework

## **Chris Hunt**

Senior Policy Adviser, Energy Efficiency Supplier Obligations

[christopher.hunt@beis.gov.uk](mailto:christopher.hunt@beis.gov.uk)

## **Claire Amaladoss**

Policy Adviser, PRS regulations and owner occupier strategy

[claire.amaladoss@beis.gov.uk](mailto:claire.amaladoss@beis.gov.uk)

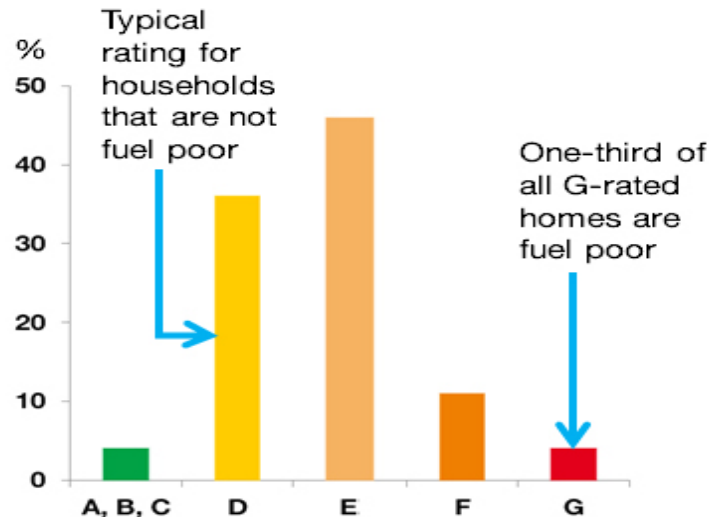
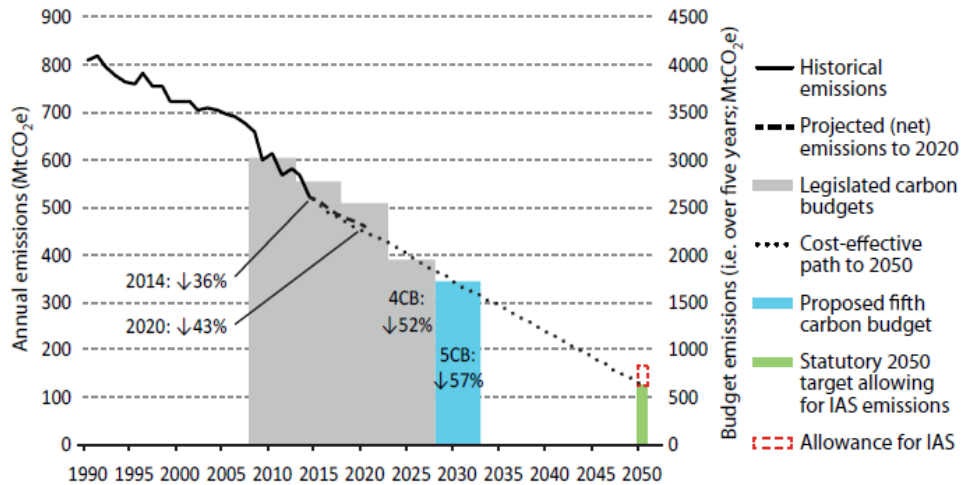
24 January 2017

IEA, ENSPOL, RAP workshop

Market-based Instruments for Energy Efficiency (Policy Choice and Design for the Energy Transition)



# The UK context



High proportion of fuel poor in energy inefficient homes

**Ambitious targets** on carbon and fuel poverty reductions set in law

**Old, inefficient housing stock** – 1/5 UK homes were built before 1919

**Diminishing potential** - Most cheaper measures have been done

**10% homes fuel poor**, living on low incomes and in inefficient homes

**Political focus** on keeping energy bills low

**Market not delivering** at rate required to meet UK targets on its own

# The UK policy mix

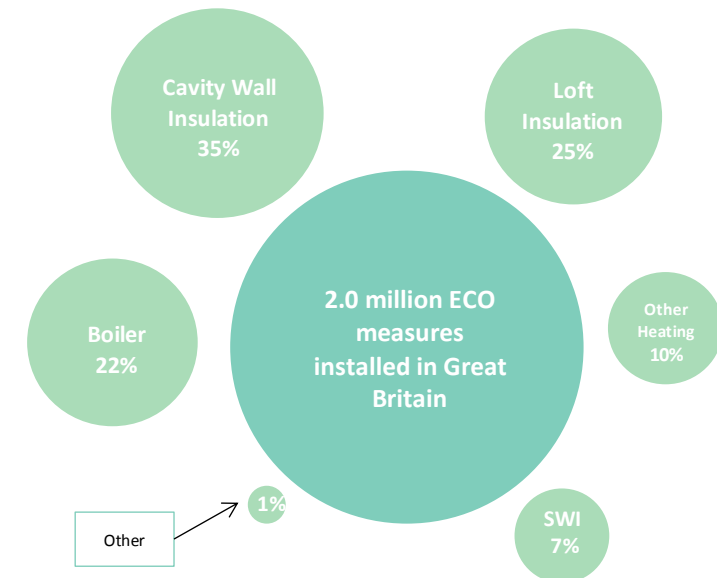
---

Existing Market Based Instruments include:

- **EUETS**
- **Energy Efficiency Supplier Obligation** - Changing focus since 1990s. Currently the Energy Company Obligation (ECO) 2013-17
- **Loan linked to property** – Green Deal finance scheme
- **Tax funded schemes**, including vouchers, mini-auctions

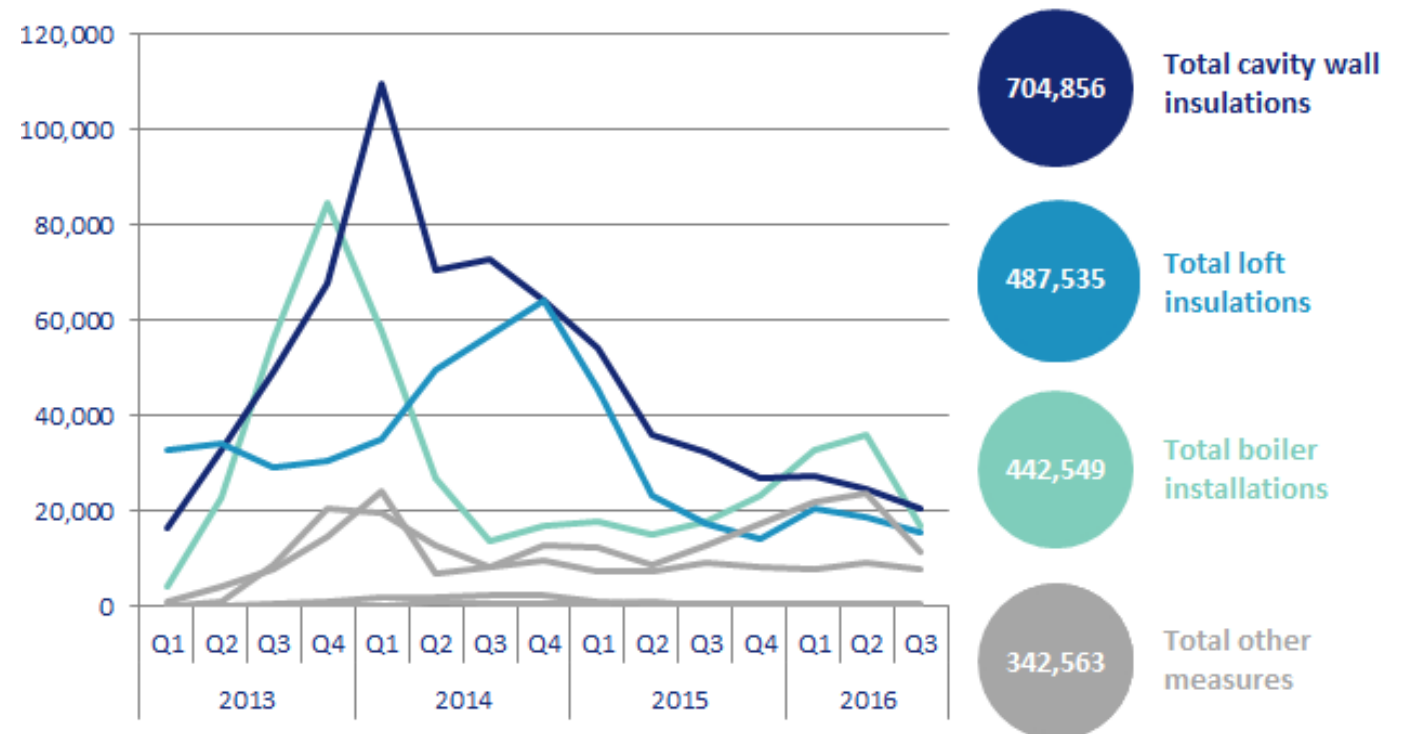
Regulations:

- **Minimum energy efficiency standards** - Regulation to overcome the 'split incentives' of the private rented sector. Coming into force April 2018
- **New building and product standards**



# Supplier obligations

- **Started small** and grew in ambition. However, reduced since 2014 (political focus on the price on domestic bills).
- **Switched in focus** from energy reduction to carbon savings and now heating cost reductions.
- **Narrowed.** Moved away from high volume, low cost measures as product standards improved and cheaper insulation measures completed.
- **Increasingly targeted** on low income/fuel poor households *“refocus supplier obligations towards those who need help most”*
- **Changing market.** Used to be biggest six suppliers. Now have 12.



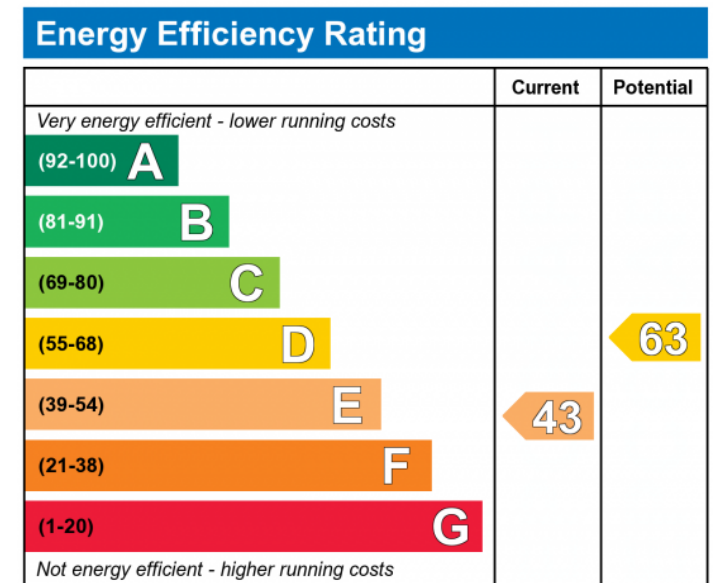
# Green Deal and PRS regulations

## Loans

- Green deal launched in 2013. Pilots were successful. Potential to overcome landlord/tenant split incentives.
- Desire to move away from fully subsidising measures (although could be blended with supplier obligation).
- Loan uptake was low and Government stopped funding the loans in 2015, issuing just under 14,000.
- New company has just bought the finance company. New loans in 2017.

## Minimum energy performance standards

- Require private landlords to improve properties to Energy Performance Certificate (EPC) level E by 2018.
- Exemptions include the absence of a means to improve properties with no upfront costs (currently relies on loans/finance options or supplier obligations)



# Future of the UK policy mix

---

Additional measures are being considered in upcoming Emissions Reduction Plan and over the following year.

- New supplier obligation from 2018-22 will continue focus on fuel poverty. What role for carbon and how should it interact with regulations, Green Deal and incentives for low carbon heat and electricity?
- Start implementation of recommendations from an independent review aiming to improve consumer trust in energy efficiency through better installation standards and consumer protections
- Particularly interested in ideas to drive demand amongst owner occupiers e.g. mortgage lending, role of ESCOs etc.
- Research and trials into future ways of stimulating the market eg. more evidence of impact of specific energy efficiency measures, measurement devices and technologies to assist ESCO models etc
- Focus on innovation, including higher cost measures, off-site installation and whole house retrofit