



## BRIEFING PAPER

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# ECO, the Energy Company Obligation

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## Summary

This Commons Briefing paper sets out the details of the Government's Energy Company Obligation scheme that provides funding for energy efficiency measures for difficult to treat homes and the homes of 'those most in need.'

### The Energy Company Obligation (ECO)

The [Energy Company Obligation \(ECO\)](#) provides funding to improve energy efficiency in difficult to treat housing and the homes of 'those most in need'. The first ECO scheme (ECO 1) started on 1 January 2013 for Great Britain.

The obligation took over from the former energy supplier obligations (Carbon Emissions Reduction Target (CERT) and Community Energy Savings Programme (CESP) both of which ended in 2012. It originally ran alongside the Green Deal (now ended) which provided loans for energy saving improvements.

The scheme currently has three elements, "Affordable Warmth", the "Carbon Saving Obligation" and the "Carbon Saving Communities Obligation".

The eligibility criteria for Affordable Warmth are detailed in Annexe 1.

ECO is currently in its second phase (ECO 2). ECO 1 ran from 2012 to March 2015.

ECO 2 will end on 31 March 2017. The third and transitory phase of ECO (ECO 3) will run from April 2017 to September 2018. The last and fourth phase of ECO (ECO 4) – on which the Government will consult - is scheduled to start in October 2018 and is expected to run until 2022.

The background and comments around the various ECO policies are detailed in Annexe 2.

### Recent changes

In the [Autumn Statement 2013](#) in December 2013, the Coalition Government announced that it would extend the time scale for ECO 1 (thus turning it into ECO 2) by 2 years to March 2017 and reduce the annual costs to consumer energy bills by £50. The implementing legislation came into force on 4 December 2014.

In the [Spending review and Autumn statement 2015](#) on 25 November 2015, the Government announced that it would bring forward proposals aimed at reducing the projected cost of green policies on the average annual household energy bill by £30 from 2017. It was also announced that the bulk of these savings would come from reforms to the ECO 2 scheme.

The Department of Energy and Climate Change (now The Department for Business, Energy and Industrial Strategy or 'BEIS') published a [consultation in June 2016](#) on the future of ECO 2. It consulted on a one-year extension with a set of specific measures intended to simplify and better target the use of funds towards fuel-poor households. It proposed to replace ECO 2 from April 2017 onwards with a new domestic energy efficiency supplier obligation for 12 months (ECO 3) before rolling out a fourth ECO scheme (ECO 4).

In January 2017, the Department published [its final decisions in response to the consultation](#). It decided to extend the proposed one-year transition scheme (ECO 3) to September 2018 (18 months in total); dedicate 70% of ECO funds during this period towards the Affordable Warmth Obligation group (as opposed to 36% currently); end the Carbon Saving Communities Obligation; amend the eligibility criteria to simplify the categories of benefits that qualify for help; and include funding for social housing in

Energy Performance Certificate bands E, F and G. ECO 3 and 4 are to be aimed at improving energy efficiency measures amongst fuel-poor households. <sup>1</sup>

Once ECO 3 ends, a fourth ECO scheme (ECO 4) will follow and run from October 2018 until 2022 at £640 million per year rising with inflation aimed at further improving the targeting of support towards fuel poor households in greatest need. <sup>2</sup>

The new Scheme will apply to England and Wales as Scotland will start using new powers in the *Scotland Act 2016* probably from 2018.<sup>3</sup> The main areas for change are: changing the threshold at which energy companies become obligated and are allocated targets under the scheme, currently only companies with over 250,000 customers are obligated to operate the scheme; and whether the scheme could better support innovation in energy efficiency technologies.<sup>4</sup>

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<sup>1</sup> BEIS [Energy Company Obligation: Help to Heat April 2017 To September 2018](#) January 2017 and [Impact assessment](#) January 2017

<sup>2</sup> DECC [ECO: Help to Heat](#) 29 June 2016 p.12

<sup>3</sup> DECC [ECO: Help to Heat](#) 29 June 2016 p.45

<sup>4</sup> DECC [ECO: Help to Heat](#) 29 June 2016 p.45

# 1. Background – Brief history of energy supplier obligations

The UK was the first country in Europe to introduce Energy Savings Obligations on energy suppliers in 1994.

The following sets out the history of energy savings supplier obligations to the present day.

Policies placing obligations on energy suppliers changed rapidly and are now the principal instrument to deliver energy savings in the housing stock. The following summarises the four schemes under the Labour Government prior to the current Energy Company Obligation (or ECO).

Initially supplier obligation schemes took a market based approach, allowing suppliers to install the lowest-cost measures such as insulation of lofts or delivery in urban areas. Later on, as UK policy in this area developed, the scale and ambition of these energy efficiency schemes increased over the past 21 years.<sup>5</sup>

In 1994 the then UK government launched the Energy Efficiency Standards of Performance (EESoP), which was initially administered by the Energy Saving Trust and the Office of Electricity Regulation and later by Ofgem.<sup>6</sup>

## 1.1 Labour Government

Energy Efficiency Standards of Performance (EESoP) was followed by the Energy Efficiency Commitment (EEC) that ran from 2002 to 2008.

In 2008 the Carbon Emission Reduction Target (CERT) scheme was launched, followed by the smaller Community Energy Saving Programme (CESP) in 2009.

These two schemes ran until December 2012 and marked a significant increase in the scale of GB supplier obligation schemes with some 8.5 million insulation and heating measures delivered through the schemes.<sup>7</sup>

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<sup>5</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16, Ofgem [HEE0036](#)

<sup>6</sup> *Ibid*

<sup>7</sup> *Ibid*

<b>EESoP1-3</b>	1994-2002	<p><b>Energy Efficiency Standards of Performance</b> Targets were defined in terms of energy to be saved over the lifetime of the measures.</p> <p>Targeted both domestic customers and small businesses. EESoP1-2 electricity only, EESoP3 electricity and gas</p>
<b>ECC1-2</b>	2002-2008	<p><b>Energy Efficiency Commitment</b> The first scheme to put in place a target for the so-called Priority Group, the defined group of disadvantaged customers, with 50% of all savings to be achieved within this Group.</p> <p>Energy saving trading between suppliers allowed. Targeted domestic customers only.</p>
<b>CERT</b>	2008-2013	<p><b>Carbon Emissions Reduction Target</b> Target to reduce carbon emissions by 293 millions of tonnes of CO2 saved over the lifetime of the measures.</p> <p>40% of these savings in the Priority Group.</p>
<b>CESP</b>	2009-2013	<p><b>Community Energy Saving Programme</b> Focus on fuel poor: CESP only allowed projects to be carried out in specific low income areas of Britain (the lowest 10-15% of areas ranked in Income Domain of the Indices of Multiple Deprivation). CESP also placed on obligation on electricity generators, not just energy suppliers.</p>

## 1.2 Coalition Government

In the build-up to the 2010 General Election, the manifestos of each of the three main political parties included plans for some form of pay-as-you-save scheme to improve energy efficiency,<sup>8</sup> through which an upfront sum to improve energy efficiency was then paid back through the savings made in reduced energy bills.

It was announced in the 2010 spending review that the *Warm Front* scheme, which provided *grants* for heating and insulation, would be phased out.<sup>9</sup> It ended on 19 January 2013.

The Government justified this decision by explaining that continuing with the previous measures, specifically *Warm Front*, “[...] would never get us close to meeting our statutory target for eliminating fuel poverty.”<sup>10</sup>

The Coalition Programme outlined plans for a *Green Deal* to replace previous schemes and improve energy efficiency:

<sup>8</sup> [Conservative Party General Election Manifesto](#), April 2010, p.93 and The Conservative Party, [Rebuilding Security Conservative Energy Policy for an Uncertain World](#), Strategic Summary, pp.21-22; [Liberal Democrat Party Election Manifesto 2010](#) p.58; [Labour Party Election Manifesto 2010](#), p.84

<sup>9</sup> Department of Energy and Climate Change (DECC), [HMT Spending Review Press Release](#), 20 October 2010

<sup>10</sup> [HC Deb 26 October 2011 c139WH](#)

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Through our 'Green Deal', we will encourage home energy efficiency improvements paid for by savings from energy bills. We will also take measures to improve energy efficiency in businesses and public sector buildings.<sup>11</sup>

The Coalition Government announced in its first [Annual Energy Statement](#) in July 2010 that it would include powers in the then forthcoming Energy Bill 2011 to introduce a new *Energy Company Obligation* (ECO) from 2012, to take over beyond *CERT* and *CESP*.<sup>12</sup> [CERT](#) and [CESP](#) continued until December 2012.

This new scheme would underpin the *Green Deal* and focus on those properties and households which could not make energy savings without extra financial support or qualify for Green Deal finance, thus partly filling the gap left by *Warm Front*.<sup>13</sup>

The *Green Deal* was the Coalition Government's "flagship piece of legislation, which was expected to deliver energy efficiency to homes and buildings across the land".<sup>14</sup> It was expected to result in net business costs of an estimated £1.3 billion a year<sup>15</sup> (ultimately reclaimed through energy bills<sup>16</sup>) and around £14 billion of private sector investment.<sup>17</sup>

On 2 December 2013 the government [announced](#) a **second phase** for ECO ('ECO 2') extending it from April 2015 until March 2017.

### 1.3 Conservative Government

After the 2015 General Election on 23 July 2015, the Department for Energy and Climate Change (DECC) announced it would put an end to the Green Deal given low take-up and controversy surrounding standards of delivery:

In light of low take-up and concerns about industry standards there will be no further funding to the Green Deal Finance Company, in a move to protect taxpayers.

The Government will work with the building industry and consumer groups on a new value-for-money approach, Energy and Climate Change Secretary Amber Rudd announced today.

Amber Rudd also announced that the Government will stop any future funding releases of the Green Deal Home Improvement Fund.

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<sup>11</sup> The Coalition: [Our Programme for Government, Energy and Climate Change](#), 20 May 2010

<sup>12</sup> DECC [Annual Energy Statement](#), 27 July 2010, p4 and HC Deb 23 November 2010 [c208W](#)

<sup>13</sup> DECC [The Green Deal and Energy Company Obligation Consultation Document](#) 23 November 2011

<sup>14</sup> [HC Deb 19 May 2011 c491 \[56276\]](#)

<sup>15</sup> DECC [Final Stage Impact Assessment for the Green Deal and Energy Company Obligation](#) 11 June 2012

<sup>16</sup> Adding around £10 to average bills by 2020, see DECC [Estimated impacts of energy and climate change policies on energy prices and bills](#) 23 November 2011, tables E1 and E2

<sup>17</sup> "£200million funding boost for green deal" [DECC press release](#) 24 November 2011

Future schemes must provide better value for money, supporting the goal of insulating a million more homes over the next five years and the Government's commitment to tackle fuel poverty.

This decision has no impact on existing Green Deal Finance Plans or existing Green Deal Home Improvement Fund applications and vouchers.

The Government has commissioned an independent review led by Peter Bonfield to look at standards, consumer protection and enforcement of energy efficiency schemes and ensure that the system properly supports and protects consumers.

DECC said the Energy Company Obligation would continue given its success and positive impact on low-income and vulnerable households:

The Energy Company Obligation (ECO) scheme will continue to provide support [ ] to low-income and vulnerable households, reflecting the fact that ECO delivered 97% of home improvements in the last two years.

The Government announced in the *Autumn Statement 2015* on 25 November 2015 a **third phase** for ECO ('ECO 3') with a renewed focus on tackling fuel-poor households:

[...] the government is implementing a package of measures to reduce the projected cost of green policies on the average annual household energy bill by £30 from 2017. The bulk of these savings will come from reforms to the current Energy Company Obligation (ECO) scheme. This will be replaced from April 2017 with a new cheaper domestic energy efficiency supplier obligation which will run for 5 years [until 2022].

The new scheme will upgrade the energy efficiency of over 200,000 homes per year, saving those homes up to £300 off their annual energy bill, tackling the root cause of fuel poverty and delivering on the government's commitment to help 1 million more homes this Parliament.<sup>18</sup>

DECC said on 7 January 2016 that the Government was planning to consult on changes to the scheme in 2016.<sup>19</sup>

Following the consultation that took place in mid-2016, BEIS announced in January 2017 the details of the extension of the scheme to September 2018.<sup>20</sup> Changes include directing 70% of funding towards low-income households in 2017-18 and an increase in available funding from £310 million to £450 million per annum until September 2018.<sup>21</sup>

The Government also wants to move the scheme away from boiler replacements – which constituted the majority of energy efficiency measures so far – towards energy efficiency gains in non-gas homes:

The Government recently confirmed plans for the Energy Company Obligation (ECO) policy for 2017-18. In 2017-18, 70% of the support under the scheme will be directed at low income households. This represents an increase from £310m to £450m of funding per year, under the Affordable Warmth Obligation.

<sup>18</sup> HM Treasury [Spending review and autumn statement 2015](#), 27 November 2015

<sup>19</sup> [HC Deb 7 Jan 2016 c413](#)

<sup>20</sup> BEIS [Energy Company Obligation: Help to Heat April 2017 To September 2018](#) January 2017

<sup>21</sup> *Ibid*

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The policy also includes elements designed to incentivise delivery to non-gas homes, such as an uplift of 35% to 45% (depending on the measure) for delivery to such homes under the Affordable Warmth element of ECO, and limiting the deployment of gas replacement boilers to enable a more diverse mix of measures to be delivered.

As a result, the Impact Assessment for the policy estimates that 16% of the delivery under Affordable Warmth will be to homes not heated by mains gas. This represents a significant increase on delivery to this group to date, which is below 2%.<sup>22</sup>

This Briefing Paper sets out the main provisions of the *Energy Company Obligation (ECO)* and where relevant the progress in meeting the targets in the next two sections.<sup>23</sup>

**Annex 2 sets out the details of the legislation for ECO 1 to ECO 3.**

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<sup>22</sup> [HC Deb 23 Feb 2017 64520](#)

<sup>23</sup> For information, a separate Library Note summarises what were the main provisions of the original [Green Deal](#).

## 2. The Energy Company Obligation (ECO)

The *Energy Company Obligation (ECO)* focuses on the poorest and most vulnerable households, and those living in 'hard to treat' homes.<sup>24</sup> It replaced the previous energy company obligations, CERT and CESP together with the taxpayer-funded Warm Front scheme.

The first section below describes the scheme as it is up to March 2017.

The second section below sets out what the Government has outlined for the scheme for the period April 2017 to September 2018. This short period is to enable scheme reforms to be introduced while also allowing industry time before further change is integrated into a new longer term scheme that will run from 2018 to 2022.<sup>25</sup> BEIS will consult on the 2018-2022 scheme later on.<sup>26</sup>

The proposed changes to the current ECO scheme (ECO 2) are subject to implementation of the [Electricity and Gas \(Energy Company Obligation\) \(Amendment\) Order 2017](#). This statutory instrument is subject to parliamentary approval by affirmative resolution.

On 14 March 2017, the Minister said the draft Order would be debated in the week beginning 20 March 2017.<sup>27</sup> The draft Explanatory Memorandum points out that it is necessary for the Order to come into force by 31 March 2017.<sup>28</sup>

### 2.1 ECO up to March 2017 (ECO 2)

Up until March 2017, there were three elements to ECO 2. These obligations were originally placed on energy suppliers with over 250,000 customers for the period 1st October 2012 to 31st March 2015 (ECO 1). It was then extended to March 2017 (ECO 2) in the Autumn Statement in December 2013.<sup>29</sup>

#### 'Affordable Warmth' (AW)<sup>30</sup>

AW is aimed at improvements that can help low income and vulnerable households heat their homes better. Eligible customers are identified through the benefits system (**see Annex 1 for the current AW qualifying criteria**) and must be living in private housing. Heating measures as well as energy efficiency measures are covered. It is aimed

<sup>24</sup> DECC [The Green Deal and Energy Company Obligation Consultation Document](#), 23 November 2011

DECC [The Green Deal and Energy Company Obligation consultation government response](#), 11 June 2012

<sup>25</sup> Draft [Explanatory Memorandum to The Electricity And Gas \(Energy Company Obligation\) \(Amendment\) Order 2017](#) para. 7.7

<sup>26</sup> BEIS [Energy Company Obligation: Help to Heat April 2017 To September 2018](#) January 2017

<sup>27</sup> Adjournment Debate Fuel Poverty [HC Deb 14 March 2017c368-374](#)

<sup>28</sup> Draft [Explanatory Memorandum to The Electricity And Gas \(Energy Company Obligation\) \(Amendment\) Order 2017](#) para 3.1

<sup>29</sup> [Autumn Statement 2013](#) paragraph 1.257, December 2013

<sup>30</sup> The *Affordable Warmth* element is also referred to as the *Home Heating Cost Reduction Obligation* (HHCRO).

at incentivising measures such as those previously delivered under *Warm Front* that may not necessarily lower CO<sub>2</sub> emissions or reduce bills, but may still improve the heating of a home without increasing its bills.<sup>31</sup>

If a person calls the Energy Saving Advice Service ([ESAS](#)) and appears to be eligible for ECO Affordable Warmth, their eligibility will be checked, subject to their consent, with the Department for Work and Pensions (DWP).

This will generate ECO referrals to suppliers for a 'minimum package of assistance'. Suppliers may also identify eligible customers for ECO through eligibility for the Warm Home Discount (WHD); the WHD Regulations allow companies to offer people in receipt of Pension Credit energy efficiency support.<sup>32</sup>

### The Carbon Saving Obligation (CSO)<sup>33</sup>

The CSO is aimed at improving energy efficiency and therefore carbon emissions from hard to treat properties. It was originally intended to cover solid wall insulation (SWI) only, but following pressure from the Committee on Climate Change among others, it also includes insulating 'harder to treat' cavities, and all thermal insulation measures that are packaged with this and SWI.<sup>34</sup>

### Carbon Saving Communities (CSC)

The CSC target was a new, third obligation, introduced as result of the original Green Deal consultation.<sup>35</sup> At least 20% of the carbon savings measures under CSC must be delivered in low income communities. It also has a '*rural safeguard sub-obligation*' requiring suppliers to deliver at least 15% of their CSC obligations to rural, low income households in settlements with a population size under 10,000. These households must be in receipt of one or more of the AW qualifying criteria, or in, or next to, a qualifying low income area.

This part of ECO will end on 31 March 2017 (see section 2.2 below)

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<sup>31</sup> DECC, [Extra help where it is needed: a new Energy Company Obligation](#), 2 June 2011, pp.3-4

<sup>32</sup> HC Deb 6 February 2013 c239W

<sup>33</sup> This is also referred to as the Carbon Emissions Reduction Obligation (CERO)

<sup>34</sup> Committee on Climate Change Letter to DECC [Proposals for the Green Deal/ Energy Company Obligation](#), 20 December 2011

<sup>35</sup> DECC [Update: Government response to consultation on the Green Deal and the Energy Companies Obligation \(ECO\)](#), 11 June 2012

**Box 1: ECO Suppliers (as at March 2017)**

- British Gas
- The Co-Operative Energy Company
- EDF
- E.ON
- First Utility
- Npower
- Scottish Power
- Scottish and Southern Energy (SSE)
- Utility Warehouse
- Utilita
- Ovo Energy
- Extra Energy

Source: [Ofgem](#)

**ECO points**

Ofgem has set the energy supply companies a number of '*ECO points*' that each supplier has to meet nationally. Any eligible installation under the three ECO schemes generates a number of 'ECO points' identified on the energy performance certificate (EPC) scale.<sup>36</sup>

The obligations or necessary ECO points are determined according to customer share, to meet the overall targets:

A carbon emissions reduction target of 20.9 million lifetime tonnes of carbon dioxide;

A carbon saving community target of 6.8 million lifetime tonnes of carbon dioxide;

A home heating cost reduction target of £4.2bn cost savings<sup>37</sup>

**2.2 ECO April 2017 to September 2018 (ECO 3)**

In January 2017, BEIS set out the key changes in the ECO scheme in January 2017 for the period April 2017 to September 2018 in response to a [consultation](#).<sup>38</sup>

The key policy decisions taken that remain in line with what was proposed in the consultation are:

- the Energy Company Obligation will be extended at a level worth an estimated £640m per annum, rising with inflation, and re-balanced towards tackling fuel poverty and others who are on low incomes;

<sup>36</sup> DECC [Final Stage Impact Assessment for the Green Deal and Energy Company Obligation](#) 11 June 2012 See p.20 onwards

<sup>37</sup> DECC [Final Stage Impact Assessment for the Green Deal and Energy Company Obligation](#) 11 June 2012 pp.4-5

<sup>38</sup> BEIS [Energy Company Obligation: Help to Heat April 2017 To September 2018](#) January 2017

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- the Affordable Warmth obligation will be increased as a proportion of the overall scheme (from around 36% to 70% of estimated supplier spend);
- the Carbon Emissions Reduction Obligation (CERO) will decrease as a proportion of the overall estimated spend, from approximately 34% to 30%;
- the Carbon Saving Community Obligation (CSCO) will be brought to an end;
- eligibility for Affordable Warmth will be simplified and better targeted. Sub-criteria will be removed for recipients of some means-tested benefits. The income thresholds for Tax Credit and Universal Credit recipients will be amended to better reflect disposable household income;
- eligibility for certain measures under Affordable Warmth will be extended to social housing in EPC Bands E, F or G;
- local authorities will be able to determine eligible homes under the new 'flexible eligibility' mechanism. Suppliers will be able to use this voluntarily for up to 10% of their Affordable Warmth obligation.<sup>39</sup>

The key changes from the proposals set out in the [consultation](#) are:

- the length of the ECO scheme extension will be increased from 12 months to 18 months ie from March 2018 to September 2018;
- the size of the respective obligations on energy suppliers have been updated, partly reflecting new evidence on delivery costs provided during consultation.
- the requirement to deliver a minimum level of solid wall insulation will be increased from the proposed equivalent of 17,000 measures per year to 21,000 per year;
- the Affordable Warmth Group will be increased to around 4.7m rather than 4m households by raising the income threshold for recipients of Universal Credit and Tax Credit, thereby including more households who are in fuel poverty, and those on lower incomes, who may be struggling to meet heating and other bills;
- central heating (including renewable heating) or district heating will not be eligible for installation in social housing under Affordable Warmth where there has previously been central heating (including renewable heating), district heating or electrical storage heating in place. This will avoid significant levels of ECO support going towards upgrading heating systems in social housing, which the Government expects to be carried out as part of social landlords' duty to provide tenants with a functioning heating system;
- local authorities will be able to determine non-fuel poor households as eligible for solid wall insulation, where this forms part of a project that delivers solid wall insulation to fuel poor, or low income and vulnerable households; and
- the Government will introduce a rural sub-obligation of 15% under CERO to safeguard and maintain delivery in

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<sup>39</sup> BEIS [Energy Company Obligation: Help to Heat April 2017 To September 2018](#) January 2017, para. 9

rural areas under a simpler mechanism than the current CSCO.<sup>40</sup>

The eligibility criteria for those applying for Affordable Warmth are also to be altered so that sub-criteria will be removed for recipients of some means-tested benefits. The income thresholds for Tax Credit and Universal Credit recipients will be amended to better reflect disposable household income. This will mean an increase in eligible households from 4.0 million to 4.7 million.<sup>41</sup>

ECO will be extended to social housing in EPC Bands E, F or G; this adds about 500,000 more eligible households. This is because of the generally lower income levels of social housing tenants, and relatively high prevalence of fuel poverty experienced amongst social tenants.<sup>42</sup>

Further details of eligibility are set out in the [draft \*The Electricity and Gas \(Energy Company Obligation\) \(Amendment\) Order 2017\*](#).

Commentators have pointed out that “the £640m a year budget marked a reduction on the £800m a year currently spent on efficiency upgrades through ECO.”<sup>43</sup> While National Energy Action (NEA) welcomed the Government’s plans to extend the [ECO] schemes and make them progressively more focused on helping households out of fuel poverty, it added that “there is, however, no way of avoiding the fact that the new “Help to Heat” scheme will be much smaller than previous energy efficiency obligations.”<sup>44</sup>

The then Energy and Climate Change Committee said in March 2016 that the reduction in funding would impact the ability of the scheme to tackle fuel poverty:

The Spending Review stated that the new domestic energy efficiency supplier obligation would have a value of £640 million per year, which we heard represents a reduction in spending of over £300 million every year in comparison to the estimated annual average delivery costs for ECO between January 2013 and March 2015.

We heard that this reduced funding would seriously impact the ability of the proposed scheme to tackle fuel poverty (an issue closely linked to homes with poor energy efficiency standards) as there was still “a big gap” between the Government’s fuel poverty targets and the level of funding available to meet them.<sup>45</sup>

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<sup>40</sup> BEIS, [Energy Company Obligation: Help to Heat April 2017 To September 2018](#) January 2017, para. 10

<sup>41</sup> Ibid., para. 34

<sup>42</sup> Ibid., para. 50

<sup>43</sup> Business Green, [Autumn Spending Review – at a glance](#), 25 November 2015

<sup>44</sup> National Energy Action, [NEA comments on the UK Government announcements on the new “Help to Heat” and Warm Home Discount schemes](#), 29 June 2016

<sup>45</sup> Energy and Climate Change Committee [Home energy efficiency and demand reduction](#), 8 March 2016 para. 30

## 3. Progress of ECO

### 3.1 ECO measures installed

Over 2 million measures were installed under ECO 1 and ECO2 up to the end of January 2017.<sup>46</sup>

The table on the following page shows the trend in the number of measures installed in each month under the three obligations. Some 42% of the cumulative total was under the Carbon Saving Target (CERC) and 34% under the Affordable Warmth programme (which is also known as Home Heating Cost Reduction Obligation or HHCRO) and the remaining 24% under the Carbon Saving Community (CSCO) schemes.<sup>47</sup>

The table below shows the ECO measures installed by type up to January 2017. The most common measure was cavity wall insulation which accounted for 35% followed by boiler upgrades and loft insulation –which accounted for approximately 23% and 24% of the total respectively. Boiler upgrades are all through the Affordable Warmth obligation.

ECO measures installed<sup>1</sup>, by measure type, by obligation, up to end January 2017

Measure Types <sup>2</sup>	Obligation				Total number of ECO measures delivered	Percentage of ECO Measures
	Carbon Saving Target (CERC)	Carbon Savings Community (CSCO)	of which 'Rural' sub-obligation	Affordable Warmth (HHCRO)		
Boiler	N/A	N/A	N/A	464,415	464,415	22.5
Cavity wall insulation	519,423	192,703	30,121	16,456	728,582	35.3
Loft Insulation	236,117	222,930	36,603	44,319	503,366	24.4
Micro-generation	N/A	N/A	N/A	5	5	0.0
Other Heating	11,090	17,737	174	178,859	207,686	10.1
Other Insulation	3,688	9,582	1,508	153	13,423	0.7
Solid Wall Insulation	99,537	40,387	3,252	18	139,942	6.8
Window Glazing	1,279	4,083	0	1	5,363	0.3
<b>Total number of measures</b>	<b>871,134</b>	<b>487,422</b>	<b>71,658</b>	<b>704,226</b>	<b>2,062,782</b>	<b>100</b>
<b>Total number of unique properties<sup>3,4,5</sup></b>	<b>767,723</b>	<b>429,285</b>	<b>62,974</b>	<b>501,515</b>	<b>1,643,012</b>	

Notes:

<sup>1</sup> This release uses the final ECO 1 data which have been through final Ofgem processing, reflecting any changes (such as switching of obligation) that Energy Companies have notified Ofgem of. Therefore some data may have been revised. This table excludes any measures which have been rejected by Ofgem or withdrawn by obligated energy suppliers.

<sup>2</sup> Please see Ofgem's guidance for suppliers for more details on eligible measures.

<sup>3</sup> Some ECO measures were installed in properties without recording the full address (e.g. blocks of flats), so there may be slightly more unique properties than recorded here.

<sup>4</sup> The total number of unique properties by obligation does not equal the total number of unique properties overall, as some properties have measures installed under more than one

<sup>5</sup> The total number of unique properties with ECO measures installed under CSCO and/or HHCRO is 904,196.

Source: BEIS Household Energy Efficiency National Statistics, headline release (March 2017).

There were around 140,000 solid wall insulation measures carried out over this period. These are one of the key measures that can improve the energy efficiency of 'hard to treat' homes. Overall around 1.6

<sup>46</sup> BEIS [Household Energy Efficiency National Statistics, headline release](#) March 2017

<sup>47</sup> BEIS [Household Energy Efficiency National Statistics, headline release](#) March 2017.

million properties received one or more installed ECO measures up to the end of January 2017.<sup>48</sup>

**ECO measures installed<sup>1</sup>, by obligation, by installation month**

Installation Month <sup>2</sup>	Obligation			Affordable Warmth (HHCRO)	Total number of ECO measures installed
	Carbon Saving Target (CERO)	Carbon Savings Community (CSCO)	of which 'Rural' sub-obligation		
January 2013 <sup>1</sup>	3,762	7,984	0	2,684	14,430
February 2013	4,775	7,734	0	6,086	18,595
March 2013	5,495	8,264	1	7,485	21,244
April 2013	9,563	8,281	2	9,968	27,812
May 2013	11,643	9,346	5	12,057	33,046
June 2013	9,893	7,927	2	15,950	33,770
July 2013	14,795	9,110	2	19,537	43,442
August 2013	16,282	7,400	12	25,893	49,575
September 2013	21,320	8,598	26	28,597	58,515
October 2013	26,017	7,830	25	37,926	71,773
November 2013	33,871	7,216	43	40,359	81,446
December 2013	28,316	5,283	72	32,533	66,132
January 2014	34,309	6,604	129	33,147	74,060
February 2014	42,924	8,525	387	25,008	76,457
March 2014	62,024	14,197	211	21,717	97,938
April 2014	20,815	20,796	1,687	15,756	57,367
May 2014	19,603	26,097	3,156	13,007	58,707
June 2014	18,432	24,766	4,500	10,143	53,341
July 2014	20,752	25,456	5,613	7,995	54,203
August 2014	17,786	23,825	5,103	6,859	48,470
September 2014	23,686	30,262	7,139	5,766	59,714
October 2014	25,969	29,595	7,825	8,575	64,139
November 2014	24,050	25,105	6,712	9,243	58,398
December 2014	19,886	19,015	4,477	8,707	47,608
January 2015	20,079	16,330	4,042	9,103	45,512
February 2015	18,347	14,864	3,592	9,295	42,506
March 2015	24,360	15,857	4,093	10,231	50,448
April 2015	15,056	7,448	1,662	6,594	29,098
May 2015	14,724	7,635	1,698	7,430	29,789
June 2015	17,423	6,440	1,028	9,063	32,926
July 2015	15,741	6,652	938	8,652	31,045
August 2015	12,516	5,408	937	9,266	27,190
September 2015	14,914	6,255	1,090	10,474	31,643
October 2015	12,344	5,845	806	12,201	30,390
November 2015	13,411	5,513	608	14,268	33,192
December 2015	11,191	3,637	367	12,281	27,109
January 2016	12,333	3,453	443	15,372	31,158
February 2016	14,441	4,202	620	18,126	36,769
March 2016	16,734	5,148	708	20,631	42,513
April 2016	13,919	4,515	490	20,404	38,838
May 2016	14,748	4,101	346	20,783	39,632
June 2016	13,223	3,406	304	17,051	33,680
July 2016	13,752	2,717	141	10,742	27,211
August 2016	12,406	2,273	150	9,630	24,309
September 2016	11,863	1,703	127	7,860	21,426
October 2016	10,488	1,460	52	9,616	21,564
November 2016	12,815	1,133	161	11,294	25,242
December 2016	9,024	732	79	8,781	18,537
January 2017	9,314	1,479	47	10,070	20,863
<b>Total to date</b>	<b>871,134</b>	<b>487,422</b>	<b>71,658</b>	<b>704,226</b>	<b>2,062,782</b>

Notes:

<sup>1</sup> Includes some measures installed between October and December 2012.

ECO measures installed in earlier installation months can be notified at a later date under some circumstances. Some notified measures can be reallocated to different ECO obligations and so are subject to change. Measures from earlier installation months can be rejected by Ofgem. This table excludes any measures which have been rejected by Ofgem or withdrawn by obligated energy suppliers.

Source: BEIS Household Energy Efficiency National Statistics, headline release (March 2017).

## 4. Evaluation of ECO

After more than 20 years of schemes aimed at reducing household energy demand and carbon emissions and taken together with the closing of the *Green Deal* and *Zero-carbon homes* schemes, the Energy and Climate Change Committee Inquiry on *Home energy efficiency and demand reduction* reported on 8 March 2016.<sup>49</sup>

It took evidence from a wide range of organisations that commented on ECO in depth. The following is a brief summary of that evidence as it concerns the ECO scheme.

### Assessments of ECO

The Energy Saving Trust (EST) in its written evidence to the Committee said that ECO had transformed the insulation of GB homes. However, according to the EST, the ECO scheme had by design tackled the cheapest to improve. The EST also said that the scheme now needs to target the more costly homes including those in off-gas grid areas.<sup>50</sup>

In oral evidence, they drew attention to the differences between the situation in England and that in Scotland and Wales:

In Scotland, for instance, we still have a nationwide spread of energy efficiency centres, which provide a one-stop shop, not just for energy efficiency and fuel poverty but also for renewables and also for transport and waste.

There is a much more integrated policy, which is important, but probably the most important thing is again this whole issue of the fact that they have continuously invested over the last decade.<sup>51</sup>

Citizens Advice also commented on this in their oral evidence;

In Scotland, certainly with the area-based local authority-led HEEPS programme, that confidence is there, and in Wales and increasingly in Northern Ireland who are also looking to deliver energy efficiency through an area-based approach. It is that combination between having supplier obligation doing helpful stuff, but not being solely reliant on it, and having other public sector bodies engaged in this agenda, which we do not seem to have right in England in the recent past.<sup>52</sup>

Overall, Citizens Advice's position regarding was that the level of funding available was insufficient to tackle fuel poverty, as expressed in their written evidence:

[...] ECO represented a significant reduction in resources on previous years, given the ending of Warm Front, the publically-funded fuel poverty programme.

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<sup>49</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16

<sup>50</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16 Energy Saving Trust ([HEE0085](#))

<sup>51</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16 [Q6](#),

<sup>52</sup> *Ibid*

The level of funding provided through the current ECO is inadequate to the goal of ending cold homes, even if the entire obligation was devoted to fuel poverty.<sup>53</sup>

According to research by Policy Exchange, a levy at the scale of the current ECO would only provide about a third of the funds required to meet the statutory fuel poverty target.<sup>54</sup>

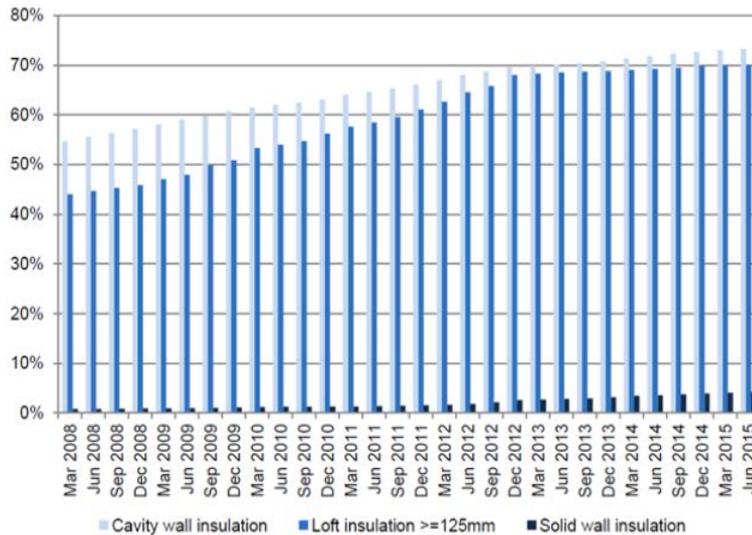
The Department for Energy and Climate Change (DECC) also submitted evidence and defended the efficacy of the scheme:

Government policies have helped to deliver very significant numbers of installations of energy efficiency measures. Supplier Obligations have been particularly reliable in delivering energy efficiency measures in homes.

Under ECO, some 1.2 million homes benefitted from new boilers, loft, cavity wall and solid wall insulation, amongst other energy saving measures, between January 2013 and March 2015. The Government not only exceeded its commitment to improve one million homes over this period, but did so ahead of schedule and at substantially reduced cost.<sup>55</sup>

The chart below from DECC’s written evidence shows the progress of loft insulation, cavity and solid wall insulation from 2008 to 2015.<sup>56</sup>

**Chart 2.1: Percentage of properties with insulation in Great Britain, March 2008 to June 2015**



The need for a clear long-term energy efficiency policy framework from Government was a prominent concern in both written and oral evidence. Various organisations argued that numerous policy changes are partly responsible for the lack of a coherent energy efficiency framework, which has led to a confusing and complex landscape that consumers and installers alike struggle to navigate.

<sup>53</sup> Energy and Climate Change Committee, *Home energy efficiency and demand reduction*, 8 March 2016, HC552, 2015-16 Citizens Advice [HEE0080](#)  
<sup>54</sup> Policy Exchange *Warmer Homes: Improving fuel poverty and energy efficiency policy in the UK*, January 2015  
<sup>55</sup> Energy and Climate Change Committee, *Home energy efficiency and demand reduction*, 8 March 2016, HC552, 2015-16, DECC [HEE0105](#)  
<sup>56</sup> *Ibid*

Citizens Advice also said that

“We don’t have a strong vision from Government about where we want to go with energy efficiency and what [they] want people to do in the long term.”<sup>57</sup>

The Energy Savings Trust called for a national energy efficiency roadmap for policy makers and business.<sup>58</sup>

Despite the issues with ECO, several organisations highlighted the success of the previous supplier obligations– CERT and CESP. The Centre on Innovation and Energy Demand in written evidence said

that “previous supplier obligations have proved highly cost effective and had a significant impact on the energy efficiency of homes. Whilst those policies were by no means perfect, they drove the uptake of energy efficiency measures at scale”.<sup>59</sup>

The Association for the Conservation of Energy said in written evidence that “ECO has continued to deliver measures, but at a much lower level than its predecessor obligations, and it has failed to fill the gap left by the closure of the publicly-funded Warm Front programme or to contribute to carbon emissions reductions in as significant a way as the previous obligations, CERT and CESP”.<sup>60</sup>

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<sup>57</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16, [Q22](#)

<sup>58</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16, Energy Savings Trust [HEE0085](#)

<sup>59</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16, Centre on Innovation and Energy Demand, SPRU, University of Sussex [HEE 0012](#)

<sup>60</sup> Energy and Climate Change Committee, [Home energy efficiency and demand reduction](#), 8 March 2016, HC552, 2015-16, Association for the Conservation of Energy [HEE0042](#)

## 5. Devolved administrations

Responsibility for overall energy policy in Great Britain is reserved to BEIS, but a number of areas relating to energy policy are devolved to Scotland and Wales. Energy policy is transferred to the Northern Ireland Executive (with the exception of most elements of nuclear power).

The arrangements for energy efficiency policy in the devolved administrations are as follows:

- in Scotland and Wales, the encouragement of energy efficiency is devolved, while the regulation of energy efficiency is reserved; and
- the promotion and regulation of energy efficiency is devolved to Northern Ireland.<sup>61</sup>

### 5.1 Scotland

#### Scotland Act

The [Scotland Act 2016](#) amended the powers of the Scottish Government regarding the Energy Company Obligation.

Section 59 of the Act amends the *Gas Act 1986*, *Electricity Act 1989* and *Energy Act 2010*. The section provides the Scottish Government with powers to design how 'supplier obligation' schemes are implemented in Scotland, and to better target funding and support.

Section 59 additionally amends the *Utilities Act 2000* so that targets for certain obligations can be apportioned between Scotland and the rest of Great Britain.

According to the Government's consultation on the future of ECO 3, indications from the Scottish Government were that they intend to use their powers to deliver an energy efficiency obligation from 2018 onwards.<sup>62</sup>

Setting the way the money is raised by these schemes (the scale, costs and apportionment of the obligations as well as the obligated parties) will remain reserved to Westminster.

#### Energy efficiency policy

Energy efficiency is a priority for the Scottish Government. [The Infrastructure Investment Plan](#) reaffirmed the designation of energy efficiency as a National Infrastructure Priority. [Scotland's Energy Efficiency Programme \(SEEP\)](#) is the Scottish Government's coordinated programme of work to improve the energy efficiency of homes and buildings in the commercial, public and industrial sectors across Scotland and decarbonising heat provision over the long term.

The Scottish Government is investing £112 million in the period 2015-22 in the [Home Energy Efficiency Programmes for Scotland](#) (HEEPS) to

<sup>61</sup> DECC [The Energy Efficiency Strategy: The Energy Efficiency Opportunity in the UK](#) November 2012

<sup>62</sup> DECC [ECO: Help to Heat](#) 29 June 2016, p.45

maximise opportunities to effectively insulate homes, to help leverage additional funding through the energy supplier obligations (ECO), and to take on the challenge of tackling hard to treat homes which require, for example, solid wall insulation.<sup>63</sup>

The Scottish Government provides [advice and financial incentives](#) to improve energy efficiency. The government spends £10million annually on the work of both the Carbon Trust and Energy Saving Trust (EST) in Scotland to provide advice and support to help the business, domestic and public sectors to realise the benefits of saving energy and to take action to reduce their environmental impact.

The Energy Saving Trust administer the [Energy Saving Scotland advice network](#) (ESSAN) which is a one-stop-shop initiative offering advice and practical support for householders, small businesses and communities on a wide range of sustainable energy issues including energy efficiency, renewable energy and low carbon transport.

The ESSAN provides a range of advice and services to domestic consumers, and can guide individuals through the various initiatives which can help with the cost of measures such as new heating systems, cavity wall insulation, draught proofing and other energy efficiency and micro-renewable technologies.

### Energy Standards in Building Regulations

Building regulations are devolved across the four UK administrations. Regulations in Scotland are broadly comparable to those elsewhere in the UK in content, scope and in the levels of improvement delivered over the past decades.

In Scotland, reviews of energy standards in 2002, 2007 and 2010 have reduced emissions by approximately 70% compared to the 1990 baseline, with a commensurate reduction on energy use.<sup>64</sup> Further improvements planned from October 2015 will further reduce levels of delivered energy in new buildings and improve standards applicable to existing buildings.

Since 2007, reviews of energy standards in Scotland have been informed by the recommendations of the [Sullivan Report Panel](#). The panel met in 2013 and made recommendations for post 2015 regulations which are being considered by Scottish Ministers.

## 5.2 Wales

The Welsh Government's [Climate Change Strategy](#) set a 3% per annum target reduction in greenhouse gas emissions in areas of devolved competency, leading to a total reduction of 40% in greenhouse gas emissions by 2020 against a 1990 baseline. The strategy specified target emissions reduction 'ranges' for each sector to which the target applied (transport, domestic, business, agriculture, public sector and waste).

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<sup>63</sup> DECC [UK National Energy Efficiency Action Plan](#) April 2014 page 85

<sup>64</sup> *Ibid*

The Welsh Government has a range of policies and programmes to meet these targets, notably the [Energy Efficiency in Wales A strategy for the next 10 years 2016–2026](#) and the [Fuel Poverty Strategy](#) (2010).

The Welsh Government has a statutory obligation to eradicate fuel poverty, as far as is reasonably practicable, in all households in Wales by 2018. Statutory targets for eradicating fuel poverty in Wales were published in 2003, in the Welsh Government's *A Fuel Poverty Commitment for Wales*, as required by the Warm Homes and Energy Conservation Act 2000.<sup>65</sup>

The Welsh Government [Warm Homes](#) scheme is one of the main instruments to fulfil this obligation.<sup>66</sup>

The policy focus of the Welsh Government is primarily on expenditure on retrofit programmes to address fuel poverty, enhanced planning policy/building regulations and support for the supply chain.

Its programme includes [Nest](#) a £20m per annum fuel poverty programme that provides energy efficiency advice and income maximisation advice, alongside installation of 'whole house' measures, for qualifying properties. Nest focuses spending on the households on the lowest incomes and in the most inefficient properties, on a house-by-house basis. Nest provides approximately 5,000 households a year with a package of energy efficiency improvements.

For those in fuel poverty may be eligible to receive free home improvements to help make the home warmer and reduce the cost of energy bills under Nest. A Nest whole house assessment is available if a person:

- owns or privately rents a home, or lives in a shared ownership property;
- is in receipt of a means tested benefit; and
- lives in the hardest-to-heat homes (F or G rated).<sup>67</sup>

Recommended measures for a property could include:

- a new central heating boiler;
- insulation for a hot water cylinder;
- loft, cavity wall and solid wall insulation;
- renewable energy technologies such as air source heat pumps.<sup>68</sup>

Alongside Nest, *Arbed* is the area-based 'whole house' retrofit programme, with Arbed Phase 2 retrofitting over 4,500 homes across Wales in 2012-15. The Welsh Government has also made available an additional £80m to leverage investment from the energy company obligation (ECO).

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<sup>65</sup> Welsh Government [Energy Efficiency in Wales A strategy for the next 10 years 2016–2026](#) February 2016 p.14

<sup>66</sup> Welsh Government [Energy Efficiency in Wales A strategy for the next 10 years 2016–2026](#) February 2016

<sup>67</sup> [Nest – Eligibility](#)

<sup>68</sup> [Nest – How Nest can help](#)

## Building Regulations

Building regulations were devolved in 2011, enabling the Welsh Government to consult on and amend Part L. These amendments set a higher level of energy performance for new and existing buildings from 2014, with a review in 2016. This continues a pre-devolution policy trend which set more stringent buildings regulations for energy performance in Wales than those in England or Scotland.<sup>69</sup>

Free help and advice is available from [Eco home centre Wales](#) who provide home visits, look at options and solutions to reduce energy bills as well as grants and funding to help energy efficient measures.

Welsh local authorities may also provide an energy-saving grant or other incentive to help with the installation of certain energy efficiency measures in the home.<sup>70</sup>

## 5.3 Northern Ireland

The main policies on energy efficiency intended for fuel poor households that are distinct from those in the rest of the UK include:

- The [Affordable Warmth](#) grant scheme that provides a package of energy-efficiency and heating measures, tailored to each household. According to the website, the scheme is available to those living in Northern Ireland, the website says people may be eligible if they are an owner occupier or householder of a privately rented property and their gross annual household income is less than £20,000.<sup>71</sup>
- The [boiler replacement scheme](#) is available to those living in Northern Ireland, helps owner occupiers to improve the energy efficiency of their homes. According to the website, the scheme is open to owner occupiers whose household income is less than £40,000 and who have an inefficient boiler of at least 15 years old. The scheme, administered by the Northern Ireland Housing Executive (NIHE), is targeted at householders who do not qualify for other Government energy-efficient improvement schemes, making them vulnerable to fuel poverty.<sup>72</sup>
- The government and energy suppliers, via the [Northern Ireland Sustainable Energy Programme](#), provide grants to help with implement energy-saving measures in your home, such as grants for energy-efficient boilers, heating, loft insulation and cavity wall insulation.<sup>73</sup>

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<sup>69</sup> Welsh Government [Building Regulations](#)

<sup>70</sup> Age Cymru Advice [Help with heating costs in Wales](#) September 2016

<sup>71</sup> Further details can be found on the [Nidirect website](#).

<sup>72</sup> Further details can be found on the [Nidirect website](#).

<sup>73</sup> Energy Savings Trust [Grants and support in Northern Ireland](#)

## 6. Annex 1: Affordable Warmth qualifying criteria

### 6.1 Introduction

From April 2017 the qualifying criteria for Affordable Warmth will be amended and these will apply until September 2018. The first section below sets out the criteria that currently apply up to 31 March 2017; the second section summarises the proposed qualifying criteria for the period from April 2017 to September 2018.

### 6.2 Qualifying criteria up to March 2017

These are set out in Schedule 1 to [The Electricity and Gas \(Energy Company Obligation\) Order 2014](#), 4 December 2014.

The benefits referred to in the definition of affordable warmth group in article 2 are—

- (a) child tax credit(**b**) and has a relevant income of £16,010 or less (where “relevant income” has the same meaning as in Part 1 of the Tax Credits Act 2002(**c**));
- (b) income-related employment and support allowance (**d**) and—
  - (i) receiving a work-related activity or support component; or
  - (ii) is responsible for a qualifying child; or
  - (iii) is in receipt of a qualifying component;
- (c) income-based job seeker’s allowance (**e**) and—
  - (i) is responsible for a qualifying child; or
  - (ii) is in receipt of a qualifying component;
- (d) income support(**f**) and—
  - (i) is responsible for a qualifying child; or
  - (ii) is in receipt of a qualifying component;
- (e) state pension credit(**g**);
- (f) working tax credit and has a relevant income of £16,010 or less and—
  - (i) is responsible for a qualifying child; or
  - (ii) is in receipt of a disability or severe disability element; or
  - (iii) is aged 60 years or over; or
- (g) universal credit(**a**) and the condition as to earned income in paragraph 4 is met and—
  - (i) is responsible for a child or qualifying young person as determined under regulation 4 of the Universal Credit Regulations 2013(**b**); or

(ii) has limited capability for work, or limited capability for work and work-related activity, as determined under Part 5 of the Universal Credit Regulations 2013; or

(iii) is in receipt of a disability living allowance under section 71 of the Social Security Contributions and Benefits Act 1992(c); or

(iv) is in receipt of a personal independence payment under Part 4 of the Welfare Reform Act 2012(d).

**2.** In paragraph 1 “qualifying child” means, in relation to a person in receipt of an allowance in paragraph 1(b) or (c), income support or working tax credit, a child who ordinarily resides with that person and who—

(a) is under the age of 16; or

(b) is—

(i) 16 or over but under the age of 20; and

(ii) in full-time education (other than higher education within the meaning of section 579(1) of the Education Act 1996(e)) or approved training (as defined in regulation 2 of the Child Tax Credit Regulations 2002(f)).

**3.** In paragraph 1—

(a) “qualifying component” means—

(i) child tax credit which includes a disability or severe disability element;

(ii) a disabled child premium;

(iii) a disability premium, enhanced disability premium or severe disability premium; or

(iv) a pensioner premium, higher pensioner premium or enhanced pensioner premium;

(b) whether a person is responsible for a qualifying child is to be determined in accordance with regulation 3 of the Child Tax Credit Regulations 2002(g).

**4.**—(1) Where the award of universal credit is—

(a) to a single claimant, the condition as to earned income is that, in any of the twelve preceding assessment periods, the claimant has received earned income which does not exceed £1,250; or

(b) to joint claimants, the condition as to earned income is that, in any of the twelve preceding assessment periods, the combined earned income received by the claimants does not exceed £1,250.

(2) In this paragraph—

(a) “assessment period”;

(b) “earned income”;

(c) “joint claimants”; and

(d) "single claimant",

are to be interpreted in accordance with the Welfare Reform Act 2012 and any subordinate legislation made under that Act.

*The eligibility criteria can be complicated in relation to individual cases and therefore our advice is always to contact the [Energy Saving Trust](#) website and call the Energy Saving Advice Service on 0300 123 1234 to check if an applicant qualifies.*

### **6.3 Qualifying criteria from April 2017 until September 2018**

The eligibility criteria for those applying for Affordable Warmth are to be altered so that sub-criteria will be removed for recipients of some means-tested benefits. The income thresholds for Tax Credit and Universal Credit recipients will be amended to better reflect disposable household income and will be extended to social housing in EPC Bands E, F or G.

Further details are set out in the draft [The Electricity and Gas \(Energy Company Obligation\) \(Amendment\) Order 2017](#).

## 7. Annex 2: Legislating for the Energy Company Obligation (ECO)

The first phase of ECO (ECO 1) ran from Oct 2012 to March 2015 and the second phase (ECO 2) started in April 2015 and is due to run until March 2017.

### 7.1 ECO – first phase - including ECO 1

#### Energy Act 2011

The [2011 Energy Act](#) ('the Act') provides for the Energy Company Obligation (ECO) in general. There have been several versions starting with ECO 1. The Bill's proceedings, its Explanatory Notes and the Library's research papers on the bill are available from the [Energy Bill 2010-12](#) page on the Parliament website. The Bill had its Report stage and Third Reading in the Commons on [14 September 2011](#).<sup>74</sup>

Luciana Berger, the Opposition spokesperson at the time, said that Labour had concerns that the Bill would not be as effective as it should be. Opposition amendments sought, among other things, to better define the Green Deal and link it to meeting the UK carbon targets and elimination of fuel poverty.

The then Minister of State at DECC, Gregory Barker, considered that on aims for meeting carbon targets and tackling fuel poverty, legislation already existed to compel this. The ECO (and Green Deal) had to be seen in the context of the Government's over-arching carbon budget and the obligations set out in the Climate Change Act 2008.

#### Consultation and implementing Regulations

DECC launched a [Consultation on the Green Deal and Energy Company Obligation](#) on 23 November 2011 and published its response on 11 June 2012. It also published a new [draft Impact Assessment](#), a [draft Code of Practice](#) and [seven Statutory Instruments in draft](#).<sup>75</sup>

On 20 December 2011, the [Committee on Climate Change](#) (CCC) wrote an open letter to the Secretary of State voicing concerns. The CCC said that the November 2011 draft Impact Assessment showed 'low ambition' for loft and cavity wall insulation, which had been incentivised under CERT. These were ruled out under ECO, and yet the Green Deal was expected to deliver only about 10% of the potential for lofts and 30% of potential for cavity walls.<sup>76</sup>

The CCC said that low uptake would be problematic. For example, the CCC's and DECC's emissions projections for meeting the first four carbon budgets assumed that all lofts and cavity walls were insulated

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<sup>74</sup> [HC Deb 14 September 2011 c1043 onwards](#)

<sup>75</sup> DECC [The Green Deal and Energy Company Obligation: Government response to Consultation](#), 11 June 2012

<sup>76</sup> Committee on Climate Change [CCC expresses concern about Green Deal proposals](#) 20 December 2011

over the next decade. In January 2012, the CCC conclusions and the data from the IA on expected loft and cavity wall insulation take-up were cited as evidence that the Green Deal would 'flop' and was 'doomed to fail', by opposition commentators.<sup>77</sup>

However, the changes introduced as a result of the consultation period do allow for greater support for cavity and loft insulation.

On 11 June 2012 the Coalition Government [responded](#)<sup>78</sup> to the Green Deal consultation's replies and published its [Final Stage Impact Assessment](#).<sup>79</sup> The implementing Regulations are:

- [The Green Deal Framework \(Disclosure, Acknowledgment, Redress etc.\) Regulations 2012 SI 2012 No. 2079](#)
- [The Green Deal \(Energy Efficiency Improvements\) Order 2012 SI 2012 No. 2106](#).
- [The Green Deal \(Qualifying Energy Improvements\) Order 2012 SI 2012 No. 2105](#)
- [The Green Deal \(Acknowledgment\) Regulations 2012](#)  
<http://www.legislation.gov.uk/uksi/2012/1661/contents/made>  
<http://www.legislation.gov.uk/uksi/2012/1660/contents/made>  
[2012 No. 1660](#)
- [The Green Deal \(Disclosure\) Regulations 2012 SI 2012 No. 1660](#)

After the Framework regulations, the second most significant Order establishes ECO 1:

- [The Electricity and Gas \(Energy Company Obligation\) Order 2012 SI 2012 3018](#)

The SIs requiring approval by each House were considered and passed by the [Second Delegated Legislation Committee](#) in the Commons on 2 July 2012 and in [Lords Grand Committee](#) on 23 July 2012.<sup>80</sup>

## Changes made as a result of the consultation

In the Government's response to the consultation in June 2012, it outlined the changes the Government made as a result of the consultation in page 15 onwards. Apart from the introduction of the CSC Obligation, the Government included the introduction of a wider range of measures available under the CSC obligation (Cavity wall insulation and loft insulation).<sup>81</sup>

<sup>77</sup> "DECC research suggests Green Deal will flop" [Business Green](#) 14 January 2012

<sup>78</sup> DECC [The Green Deal and Energy Company Obligation: Government Response to the November 2011 Consultation](#), 11 June 2012

<sup>79</sup> DECC [Final Stage Impact Assessment for the Green Deal and Energy Company Obligation](#), 11 June 2012

<sup>80</sup> [HL Deb 23 July 2012 cGC224](#)

<sup>81</sup> DECC [The Green Deal and Energy Company Obligation: Government Response to the November 2011 Consultation](#) 11 June 2012

## 7.2 ECO – second phase (ECO 2)

### Consultation - 2014

Following the [Government's announcement](#) in the Autumn Statement on 2 December 2013, the Government launched a [consultation](#) on the key proposal to extend of the ECO scheme to 2017 (ECO 2)

The consultation also included proposals to modify the eligibility criteria for Carbon Saving Communities Obligation (CSCO) and allowable primary measures under Carbon Emissions Reduction Obligation (CERO) to ensure it is easier and cheaper to deliver, and to reduce the 2015 CERO obligation by 33 per cent. Alongside the changes were proposals to make ECO easier to administer, easier for customers to understand, and easier to access in rural and off-grid areas.

The Consultation closed on 16 April 2014 and the Coalition Government published its response on 22 July 2014.<sup>82</sup>

### Implementation - 2014

The Coalition Government announced it would extend the individual CERO, CSCO and Affordable Warmth sub targets for the period 31 March 2015 to 31 March 2017.<sup>83</sup>

This extension was be on the following basis:

- *CERO*: the new CERO target (with the 33 per cent reduction) to March 2015 will be extended to the period April 2015 to March 2017 on the basis of a constant annual level of carbon delivery effort. This gives a target of 12.4MtCO<sub>2</sub> over the two-year period.
- *CSCO*: the target will be extended for the period April 2015 to March 2017 on the basis of a constant annual level of carbon delivery effort. This gives a target of 6MtCO<sub>2</sub> over the two-year period.
- *Affordable Warmth*: the notional bill savings target for Affordable Warmth between April 2015 and March 2017 will be set based on an estimated annual cost consistent with the original (2012) final ECO Impact Assessment i.e. £350million in 2011 prices. This target will be set at a level that reflects the change in delivery costs that result from any proposed change to the scheme, and gives a target of £3.7 billion of lifetime notional bill savings.

As the Government has previously confirmed, the obligation is intended to be both ambitious and long-term, extending through until at least 2022 but previous targets were set only until March 2015, which meant that there was a lack of long-term certainty for the supply chain and others interested in delivery.

The conclusions in this document should provide longer term certainty by extending the scheme through to 2017.<sup>84</sup>

In addition the Government provided more generous Affordable Warmth allowances for replacing non-gas boilers allowances in

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<sup>82</sup> DECC [The future of the Energy Company Obligation](#) , 22 July 2014

<sup>83</sup> *Ibid.*

<sup>84</sup> *Ibid.*

households outside the gas grid where there is evidence of greater fuel poverty.<sup>85</sup>

On 27 October 2014, the Coalition Government published its final Impact Assessment to support the extension of the ECO scheme (ECO-2).<sup>86</sup>

The extension of the ECO scheme to March 2017 was implemented by Statutory Instrument on 4 December 2014.<sup>87</sup>

### 7.3 ECO – third phase (ECO 3)

The Government announced in the *Autumn Statement 2015* on 25 November 2015 a **third phase** or replacement for ECO as follows:

[...] the government is implementing a package of measures to reduce the projected cost of green policies on the average annual household energy bill by £30 from 2017. The bulk of these savings will come from reforms to the current Energy Company Obligation (ECO) scheme. This will be replaced from April 2017 with a new cheaper domestic energy efficiency supplier obligation which will run for 5 years [until 2022].

The new scheme will upgrade the energy efficiency of over 200,000 homes per year, saving those homes up to £300 off their annual energy bill, tackling the root cause of fuel poverty and delivering on the government's commitment to help 1 million more homes this Parliament.<sup>88</sup>

Commentators have pointed out that “the £640m a year budget marked a reduction on the £800m a year currently spent on efficiency upgrades through ECO.”<sup>89</sup> While National Energy Action (NEA) welcomed the Government's plans to extend the [ECO] schemes and make them progressively more focused on helping households out of fuel poverty, it added:

There is, however, no way of avoiding the fact that the new “Help to Heat” scheme will be much smaller than previous energy efficiency obligations.<sup>90</sup>

The Government [consulted](#) on changes in mid-2016 as explained in section 2.

### Implementation – 2017 (ECO 3)

In January 2017, BEIS announced the details of the extension of the scheme to September 2018.<sup>91</sup>

In response to a PQ on 23 February 2017, BEIS summarised the main features of the extended scheme:

<sup>85</sup> DECC [The future of the Energy Company Obligation](#), 22 July 2014 p.31

<sup>86</sup> DECC [The Future of the Energy Company Obligation: Final Impact Assessment](#) 27 October 2014

<sup>87</sup> [The Electricity and Gas \(Energy Company Obligation\) Order 2014](#), 4 December 2014 and [Explanatory Memorandum](#)

<sup>88</sup> HM Treasury [Spending review and autumn statement 2015](#), 27 November 2015

<sup>89</sup> Business Green [Autumn Spending Review – at a glance](#) 25 November 2015

<sup>90</sup> National Energy Action [NEA comments on the UK Government announcements on the new “Help to Heat” and Warm Home Discount schemes](#) 29 June 2016

<sup>91</sup> BEIS [Energy Company Obligation: Help to Heat April 2017 To September 2018](#) January 2017

## 31 ECO, the Energy Company Obligation

The Government recently confirmed plans for the Energy Company Obligation (ECO) policy for 2017-18. In 2017-18, 70% of the support under the scheme will be directed at low income households. This represents an increase from £310m to £450m of funding per year, under the Affordable Warmth Obligation.

The policy also includes elements designed to incentivise delivery to non-gas homes, such as an uplift of 35% to 45% (depending on the measure) for delivery to such homes under the Affordable Warmth element of ECO, and limiting the deployment of gas replacement boilers to enable a more diverse mix of measures to be delivered.

As a result, the Impact Assessment for the policy estimates that 16% of the delivery under Affordable Warmth will be to homes not heated by mains gas. This represents a significant increase on delivery to this group to date, which is below 2%.<sup>92</sup>

The Government has published a draft statutory instrument to implement the changes - [\*The Electricity and Gas \(Energy Company Obligation\) \(Amendment\) Order 2017\*](#). The Order is due to come in force by 31 March 2017.<sup>93</sup>

The amended scheme is intended as a transitional arrangement to enable scheme reforms to be introduced while also allowing industry time before further change is integrated into a new longer term scheme (ECO 4), to run from 2018 to 2022.<sup>94</sup>

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<sup>92</sup> [HC Deb 23 Feb 2017 64520](#)

<sup>93</sup> Draft [\*Explanatory Memorandum to The Electricity And Gas \(Energy Company Obligation\) \(Amendment\) Order 2017\*](#) para 3.1

<sup>94</sup> Draft [\*Explanatory Memorandum to The Electricity And Gas \(Energy Company Obligation\) \(Amendment\) Order 2017\*](#) para 7.7

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