

High-level Principles for a Successful Energy Efficiency Retrofit Scheme

ECO Plus - A 'Great British Energy Saving Scheme'

August 2022

To assist the new Prime Minister in acting urgently to reduce home energy use and fuel bills upon taking office, the Energy Efficiency Infrastructure Group (EEIG)¹ invites the Government to confirm and announce a new home energy efficiency retrofit scheme at the earliest opportunity.

The new 'ECO Plus' scheme would build on, but run separate to the vital ECO4 obligation, forming the first part of a comprehensive long-term, robust national energy efficiency plan to:

- Improve the energy efficiency of the country's housing stock;
- Further energy security objectives;
- Permanently cut fuel bills and alleviate fuel poverty; and
- Create a resilient and sustainable supply chain and better-informed consumers.

The sector is keen to work closely with the Government to ensure the much-needed ECO Plus scheme is well-designed and enables the supply chain, including manufacturers and installers, to plan and build capacity to enable a clear trajectory for delivery from the start and avoid 'boom and bust' scenarios.

High-level principles for success are set out below. More detailed recommendations are under development.

1. Funding and timeline

- **ECO Plus** – ECO Plus has been proposed as a **voluntary, energy supplier-led, government-backed scheme** to provide millions of British households with access to financial support for retrofit measures to make their homes more energy efficient and permanently cut fuel bills - building on but running separate to the existing ECO4 scheme.
- **Part of a Comprehensive National Plan** - The scheme should be **ambitious** and form part of a comprehensive and **long-term, 20-year national energy efficiency plan** to get on track to meet the Government's aim for as many homes as possible to achieve a minimum of EPC C by 2035, as well as Net Zero. A long-term plan is necessary to provide certainty for industry and households to invest, and **avoids 'boom-bust' policy, instead building a resilient and sustainable market for energy efficiency. New analysis finds that from October 2022, higher energy prices means that improving the energy performance of a property from a poor energy rating to at least a C could save householders around £1,000 per year.**²

¹ www.theeeig.co.uk

² See [E3G Figures](#) and [ECIU Figures](#).

- **Invest to Save** - **£3 billion of public funding** is needed in total to get the programme started, allocated over 3 years, ramping up annual spending in line with supply chain capacity and investment projections, with a plan for continuation and funding post 2025 out to 2030.
 - Funding should be covered through **new spending commitments**, rather than diverted from other funding pots. Funding levels should reflect **prevailing market conditions and material costs** to remain attractive and viable throughout the scheme's life.
 - While ECO4 is funded through energy bills, it is not appropriate to add additional costs to energy bills at this time and therefore ECO Plus should be **prioritised for funding from government budgets**.
- **Inclusivity and Flexibility** - The scheme would initially **utilise existing ECO-obligated suppliers** supply and compliance chains so it can start rapidly, and would be **voluntary** in nature. Upon the initial scheme going live in 2022, work would commence with the scheme administrator to put in place a robust certification and bidding process to enable wider market participants to access the scheme encouraging competition and innovation **without posing a risk to ECO4 delivery**. The scheme administrator would specify the criteria organisations would need to meet in order to access the scheme including a requirement to demonstrate reliable delivery to a high standard and that projects will either complement ECO4 delivery or upgrade homes that are not eligible under ECO4.
- **Help for Owner-Occupiers** – The scheme should be **open to lower and middle income owner-occupier households now at risk of falling into fuel poverty**, with simple and transparent eligibility criteria for all scheme participants. Those on lower incomes would have light-touch means-testing to enable the full costs of the retrofit to be covered. For those with greater means, additional household contributions should be encouraged including through green finance. The appropriate customer contribution per measure should be determined by a dynamic subsidy model that allows the most value for money to be extracted from the scheme.
- **Complement ECO4** - The scheme should be designed in such a way that there is no risk of competition between delivering fully-subsidised measures to lower income households and delivering suppliers' obligations under ECO4. **ECO Plus can complement ECO4** by capturing households which aren't fully viable or eligible under ECO4.
- **ECO4 Scheme** - It is **absolutely essential to keep ECO4**. If ECO4 funding were to be cut from energy bills, and not replaced with public funding, there is a high risk that the energy efficiency industry would be decimated. It would severely hinder efforts to reduce dependency on high-cost gas imports and tackle the Cost-of-Living Crisis. And as the main energy efficiency scheme for fuel poor households, any cuts would have a devastating impact on them. ECO4 funding must be retained at the current levels, as planned, with ECO Plus building on it to maximise the delivery of energy efficiency measures.

2. Supporting effective delivery, quality, and consumer protection

- **Building Supply Chains** – It is essential to provide a clear road map and additional financial support for **supply chains, training and skills**, enabling manufacturers to plan and build capacity, and supporting installers to ensure they can ramp up to deliver at scale - with funding set aside to support an Olympic Style Skills and Training Taskforce.
- **Engaged Consumers** - Practical support for households should be implemented and budgeted for, with **advice and engagement** to promote and steer people towards the right energy efficiency measures for their home, including raising awareness of the digital tools available for use as a starting point for discussions with experts. Build on those already provided by the Government.³
- **Appropriate Measures** - Ensure that **eligible measures support deep reductions in energy use, energy bill savings and net zero targets**, encompassing and prioritising all fabric measures. The scheme will allow for the installation of single measures that are a first step in a whole-house plan to deliver to a minimum rating of EPC C.
- **Quality Assurance** - The robust **quality assurance and standards that are adopted in ECO4** should be baked-in from the start, including technical assessments of properties to ensure their suitability for given measures, and a requirement that ECO Plus funding is used only for those measures.
- **Efficiency in Processes** - **Utilise existing and evolving industry processes** as much as possible, including oversight and quality assurance frameworks to enable the initial scheme to get off the ground rapidly. Look to create efficiencies within administrative processes and reduce administrative costs associated with the scheme. Ensure **compliance costs** reflect the measure and consumer benefit. Establish clear scheme objectives and lines of accountability.
- **Consultation** - **Engage widely with industry, energy suppliers, supply chains and local delivery partners** to inform the scheme's detailed design and implementation, and allow sufficient lead time for the supply chain to ramp-up in line with the planned trajectory of scheme spending.

3. Wider support for owner-occupiers

- **Policy Certainty** - The scheme must be part of a wider, sustainable **ecosystem of government support** for energy efficiency, including providing long-term policy certainty through setting out timelines for minimum energy efficiency standards, and ensuring the continuation of parallel complementary schemes like the Boiler Upgrade Scheme.
- **Sustainable Markets** - Complementary policies and structural drivers including the expansion of **green finance** and an **Energy Saving Stamp Duty Incentive** will still be needed in the near-term to support a sustainable mass market.

³ For example, see the Government's new [Online Service](#).



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