

The Green Deal - what was it & what were the key issues?

What was the Green Deal?

From October 2012, the Green Deal was planned to be the key mechanism for improving the energy efficiency of domestic and non-domestic buildings in the UK. In this programme, bill payers would be able to obtain energy efficiency improvements without having to pay for the upfront costs of retrofit works. Instead, capital would be privately financed, through consortia made up of banks, consumer and business groups, etc, as well as the investor community, who recoup their investment through an instalment charge on the consumer's energy bill. The overarching 'golden rule' was that the estimated savings on energy bills must be equal to, or greater than, the costs attached to the energy bill. Unlike a conventional loan, the loan repayments remain attached to the property, rather than the bill payer (who may move into a different property before the repayments are complete).

Supporting Green Deal, the government planned to have smart meters installed in every home by 2020. These meters are anticipated to provide customers and energy suppliers with more information on electricity and gas usage, as well as acting as the prime mechanism for governing the claimed bill savings through the Green Deal. All measures installed through Green Deal must be recommended and approved by an accredited advisor, and installed through an accredited installer. The majority of loans were expected to be provided by industry led consortium consisting of 19 blue-chip companies called the Green Deal Finance Company, supported by the Green Investment Bank. Functioning alongside Green Deal, an Energy Company Obligation (ECO) replaced the Community Energy Saving Programme (CESP) and the Carbon Emissions Reduction Target (CERT) to provide additional financing to support vulnerable low income households and hard-to-treat properties.

Mark Dowson, Buro Happold, July 2012

Key Issues

- Millions of properties in the UK are poorly insulated and expensive to heat
- Social barriers to retrofitting include the perceived hassle of installation, upfront costs, uncertainties over lower fuel bills and a lack of knowledge over payback periods.
- As the Green Deal did not offer subsidies for retrofit works, there were concerns that this shift will make energy efficiency improvements less attractive to consumers
- The Green Deal was innovative in how it attaches the loan to the building rather than the occupier, but the market implications of this were untested on a large scale.
- Private investors for the Green Deal were expected to target the properties that offer the best return on investments.
- The 'golden rule' would restrict the level of CO₂ savings obtainable from retrofitting, as it limits the size of a loan to the amount that can be repaid by savings generated.
- Poor quality construction, thermal comfort take-back and a lack of monitoring following refurbishments pose a serious threat to obtaining real, long-term energy savings.

Links

- DECC report on the Green Deal: <http://www.decc.gov.uk/assets/decc/legislation/energybill/1010-green-deal-summary-proposals.pdf>
- Energy Policy journal on the Green Deal: <http://dx.doi.org/10.1016/j.enpol.2012.07.019>
- 'Green Deal Initiative' website: <http://www.greendealinitiative.co.uk/>
- 'Green Deal Guide' website: <http://www.green-deal-guide.co.uk/>
- 'Retrofit for the Future' case studies website: <http://www.retrofitforthefuture.org/>