

The Green Deal Statutory Instruments - Second Delegated Legislation Committee

Monday 2 July

Briefing from the Mayor of London

Key Messages

- The Mayor of London is supportive of the Government's Green Deal agenda, and is clear that its ambitious aims can only be achieved nationally if they are achieved in London. The capital has by far the highest number of needy properties of any region, but there is a real danger that these properties could be sidelined by Green Deal providers as a result of the current framework being proposed by Government.
- To ensure that the Green Deal succeeds in the UK, and that the most needy properties in London are treated, we have therefore suggested some small but extremely important refinements to DECC's current plans. These refinements will ensure that London's unique situation is taken into account and will help prioritise the capital's fuel-poor as well as helping to significantly decrease carbon emissions.
- Most crucially, there is a pressing need for an **area allocation for the Energy Company Obligation (ECO)**. Without such a target there is a real danger that London will miss out on the attention it needs, as energy companies and Green Deal providers focus on treating areas that are cheaper and easier to retrofit. As 22% of hard-to-treat properties in England are in London, this has the potential to significantly undermine the success of the Green Deal as a whole.
- Furthermore, without an area allocation to ensure that flats and mid-terraces - key markets in London for the Green Deal - are able to access ECO subsidies, there is a serious threat that these homes will miss out on the benefits of the scheme. If these properties are sidelined, Londoners could end up paying an additional £390m on their energy bills to fund the Green Deal nationally, while the capital receives investment of only £156m in return – an unacceptable possibility given London's specific needs.

Background

- London has lost out under previous, similar schemes such as the Carbon Emissions Reduction Target (CERT), under which the city only received 4.7% of installations despite having 12% of housing. We estimate that London has missed out on £480m of CERT funding since 2005.
- This is because energy companies have previously fulfilled their obligations wherever it most cost-effective to do so, without regard to the potential to reduce the comparatively high levels of fuel poverty in London and carbon emissions from some hard-to-reach housing stock. The comparatively high cost of treating London homes, compared to those outside the capital, has meant that energy companies have focused their attentions elsewhere.

The need for area allocations

- The Government's current suggested plans for ECO could exclude Londoners in flats and mid-terraces from the Green Deal, as such housing stock will be unable to access a high enough subsidy from the ECO to make the scheme viable. DECC's Green Deal impact assessment confirms this possibility, though as these housing types make up nearly two

thirds of solid wall properties in the capital it is vital for the success of the Green Deal that they are not excluded in this way.

- If London continues to receive a lower than equitable share of national energy efficiency funding this will mean ECO will fail to adequately tackle fuel poverty in the capital. This, in turn, will affect the success of the Green Deal as a whole.
- Area allocations should therefore be put into effect, based on the relative share of solid wall properties for the carbon target and the relative share of fuel poverty for the affordable warmth target. This will ensure that key properties in London, including flats and mid-terraces, are prioritised and in turn help to ensure the success of the Green Deal programme.
- Such area allocations would not only ensure fuel poverty in the capital is tackled, but also create certainty as to the size of the market and encourage more London-based suppliers to enter the market. Only 1/3 of the suppliers for London's unique RE:NEW scheme, which provides energy efficiency measures to needy London homes, have expressed interest in becoming Green Deal providers so far, and it is extremely important for the success of the scheme that more providers are encouraged to get involved in the capital.
- Given that the Green Deal is a new programme, area allocations should be indicative, and then monitored on a quarterly basis so we have a clear understanding of where the ECO is being delivered and can check that delivery is equitable across the country. This will help ensure that the Green Deal is a success, including in areas that are more expensive to treat. Provision for area allocations could be delivered through secondary legislation or within the ECO brokerage document, which will set out how Green Deal providers can access ECO funding.

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