

The Green Deal and new measures to raise energy efficiency standards in the Private Rented Sector

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DECC

Why retrofit?

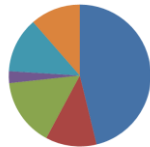
Affects economic growth:

- Wasting money directly – paying for unnecessary energy
- And indirectly – paying for more energy infrastructure than needed
- Poor buildings increase energy insecurity
- Job opportunities from installation, innovation etc
- Can't meet long term carbon reduction goals without doing so

Some facts:

- Buildings are responsible for nearly 40% of UK energy use
- Around 75% of that is for space and water heating and cooling

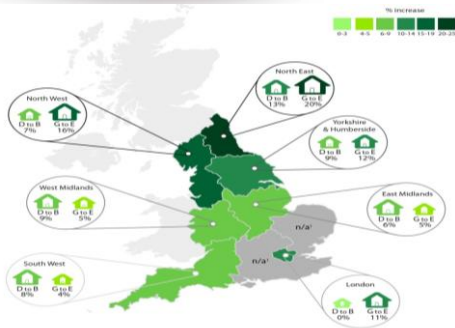
Buildings Energy Consumption by End-Use

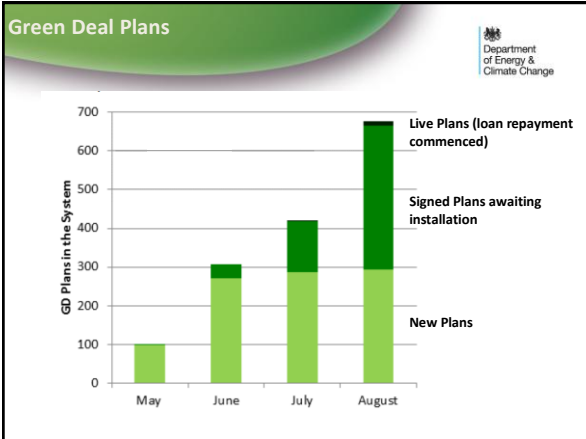


■ Domestic - Space Heating ■ Domestic - Water Heating
 ■ Non-Domestic - Space Heating ■ Non-Domestic - Water Heating
 ■ Domestic - Lighting & Other ■ Non-Domestic - Lighting & Other

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It raises the value of your home





Help from DECC: Financing

Renewable Heat Payment Premium/RHI
 ➤ Renewable Heat Incentive : To launch April 2014

Feed in Tariff: Approaching ½ Million Solar PV installations, with around 100,000 in the last 12 months.

ECO: Over 130,000 installations households have benefitted

- Affordable warmth
- Carbon Saving
- Carbon Saving Communities

Green Deal Finance : Helps cover cost of making Green Deal improvements to your home. Shop around for the best deal.

Green Deal Cashback : Packages available up to £1,000

The Private Rental Sector

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Why regulate?



- UK has one of the least energy efficient housing stocks in Europe
- Worst performing stock linked to excess cold health hazard and fuel poverty
- PRS has greatest proportion of the least energy efficient properties
- New funding support schemes in place – help to overcome the split incentive
- Regulation to come after opportunity for voluntary improvement

Energy Act 2011



- By April 2016 tenants to be provided with a **right to request energy efficiency improvements**. The request may not be unreasonably refused by the landlord
- By April 2018 the **least energy efficient property (expected to mean F & G EPC rated) will be prohibited from let** until they are improved (also covers non-domestic property)
- Detail to be confirmed later under secondary legislation

Broad principles



- **Costs** – all energy efficiency improvements required must be financeable without upfront cost to the landlord (i.e. must have the option of a Green Deal and/or ECO)
- **Permissions** - landlord only required to do works where relevant consents are obtainable (e.g. planning permission, freeholder consent etc)
- **Building safeguards** – works that would result in property devaluation would not be required. Listed buildings out of scope
- **Enforcement** - local authorities to enforce with provision for appeals process

Help for Landlords



Reduced VAT on professional installation of insulation, renewable heat, PV etc

Landlords Energy Saving Allowance (LESA) - A tax allowance which lets landlords claim up a maximum of £1,500 per dwelling.

Enhanced Capital Allowances for business - Allows you to can claim a 100 per cent First-Year Allowance (FYA) for energy saving investments made

HMOs and the Green Deal



PRS regulations likely apply only to properties with EPC

For HMOs, EPCs generally only required for fully self-contained dwelling or part of a dwelling lets

EPC not generally required for bedsit type HMOs, shared house type HMOs

EPC is generally required for let of a shared house (all occupants are on same tenancy) and the sale of any HMO.

Developing the detail



- Stakeholder working group formed February 2013, meeting monthly until September 2013, now drafting final reports
- Group considering range of issues and advising on detail of the regulations
- Landlord, tenant, environmental and professional bodies represented

Live issues



Issues being considered by the working group:

- trigger for the regulations – new tenancies, renewals, all tenancies?
- what grounds are reasonable for refusing a tenant request?
- burden of proof when using an exemption?
- compliance and enforcement issues
- plans beyond 2018
- and more...

Next steps



- Working group to make recommendations and flag up issues – consensus sought where possible
- DECC to issue public consultation beginning of 2014 for both 2016 and 2018 regulations

Thank you



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Potentially helpful for further questions

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Help from DECC: Information & Advice

- **New research released in September** shows that **81% of households** who had a Green Deal assessment said they have are getting or intend to install at least one energy saving measure.
- The research also showed **78% of people** also said their Green Deal assessment was highly useful and **72%** said they would recommend a Green Deal assessment to friends and family
- Web and phone **Energy Saving Advice Service** (0300 123 1234)
- National **'Open Homes'** network making it easy for people to find and see homes that have been improved by energy saving retrofits
- **"Quick guides"** and other marketing material – freely available to partners

Worked example for combining Green Deal with a domestic solar PV installation under FITs

ITEM	AMOUNT
A 4kW solar PV system costing*:	£7,000
A Green Deal loan could provide up to: 37% of total cost**	£2,600
So homeowner would need to find balance at the outset of:	£4,400
Annual income from FITs would be:	
Generation tariff (currently*** 15.4p/kWh)	£526
Export tariff (currently 4.5p/kWh)	£79
Plus electricity saved: (15 p/kWh)	£255
Giving a total annual income/saving of:	£860
But homeowner would have to make an annual re-payment to Green Deal of:	£255
Giving a net annual saving of:	£605
Over the whole 20 year duration of the FIT and Green Deal financing the homeowner would make a total loan repayment of:	£5,100
However, the cumulative income and savings from FITs and GD would be:	£17,200
GIVING A NET SAVING TO THE HOMEOWNER OF: (£17,200 – £5,100 – £4,400)	£7,700

* Figures supplied by the Solar Trade Association
 ** Based on the 'deemed' 50% use of annual generation within the house and 50% exported
 *** March 2013, but subject to in-year change – check latest rates on Ofgem FIT website
