

### Executive Summary

#### **1. For the first time, the UK will soon have a national policy framework to encourage investment in energy efficiency**

1.1 The Government's new Green Deal policy is due to be launched in October 2012.

1.2 The Green Deal provides a national framework for investing in energy efficiency and will promote and regulate good practice in the energy efficiency industry. The Green Deal concentrates on cost-effective energy efficiency measures which can pay for themselves through reductions in the energy bill.

1.3 The Green Deal will be closely linked to the Energy Company Obligation (ECO) which is a requirement on the energy supply companies to subsidise energy efficiency measures in housing. The ECO will be split into two main components; (1) to grant fund energy saving measures in low income and vulnerable households, and, (2) to subsidise measures that struggle to pay for themselves under the Green Deal.

1.4 The Green Deal overcomes a number of key barriers to energy efficiency by:

- Providing upfront capital specifically for energy efficiency (helps remove the barrier of competing uses for available capital, e.g. a householder may prefer to spend available money on a holiday rather than energy efficiency);
- Linking the repayments to the property rather than the owner or householder (helps circumvent householder resistance to taking on personal debt for measures with a long payback when they might move home); and,
- Removing confusion and misinformation about energy efficiency by ensuring all companies follow a common approach to estimating energy savings from proposed measures and by providing a kite mark for energy efficiency installations.

1.5 The Government's legislative framework specifies distinct roles and requirements for businesses that wish to operate under the Green Deal, including the key role of Green

Deal Provider. The Green Deal Provider will have the main customer interface and will organise the finance, oversee the planned works and provide on-going customer support.

## **2. There is huge scope for Cambridgeshire to use this national policy framework to improve building energy efficiency and stimulate the associated job opportunities**

2.1 The scope for improving the energy efficiency of Cambridgeshire's homes and commercial buildings is vast. The potential for installing cost effective energy efficiency measures, as required under the Green Deal, is also substantial and the total investment opportunity in the county has been estimated at £830 Million.

2.2 The supply and installation of these insulation products, efficient heating systems and microgeneration technologies (such as solar power and heat pumps) could stimulate local industry and provide a substantial number of local jobs for Cambridgeshire. Cambridgeshire has a good platform for growth as it already has a healthy local energy efficiency industry.

2.3 If Cambridgeshire can utilise the national Green Deal framework to stimulate local energy efficiency activity and realise this latent potential then the corresponding environmental, social and economic benefits could be significant.

2.4 Government has identified three distinct roles for local authorities interested in maximising the potential of the Green Deal in their local area:

- Acting as Green Deal 'Providers': where local authorities set-up a full Green Deal Provider business themselves to offer tailored services to the local community.
- Acting as Green Deal 'Producers': where local authorities use their local knowledge, credibility and trusted status to produce leads and a customer base for partner Green Deal Provider(s) who focus on local economic and community benefits.
- Acting as Green Deal 'Promoters': where local authorities go no further than undertaking a simple marketing role for the Green Deal.

## **3. Cambridgeshire's local government has the ability to unlock this Green Deal/ energy efficiency potential**

3.1 Although the Green Deal provides a national framework for investing in energy efficiency, consumer demand is historically low due to a lack of incentives in the market to encourage householders or businesses to install energy efficiency products. In addition, trust is low in energy supply companies who are likely to represent a key element of the Green Deal Provider market.

3.2 Reasons for low consumer demand include:

- Perception that energy efficiency is unexciting (it does not carry the same levels of consumer interest as new kitchens or bathrooms, or general consumable products)
- Perception that energy efficiency improvements will not make any really noticeable or tangible difference to the quality of life or well-being of building occupants.
- Energy bill savings are relatively small, particularly when the repayment of the Green Deal charge is taken into account
- Energy performance (and the value of energy efficiency and renewable energy) is currently not generally represented in the price of a property.
- The installation of energy efficiency measures can be considered awkward to organise (e.g. having to clear a cluttered loft space) or disruptive to day-to-day life.

3.3 Successful energy efficiency schemes are able to overcome the majority of these barriers by demonstrating the clear benefits of energy efficiency in terms of warmer homes, lower bills and improved properties alongside putting in place carefully tailored customer-focused installation procedures.

3.4 Local authority activity is needed to facilitate the effective inclusion of the key players in the public, community and voluntary sectors who will all have a role in embedding and nurturing energy efficiency schemes within Cambridgeshire's local communities.

#### **4. Cambridgeshire's local authorities need to create the optimum conditions for the successful local delivery of energy efficiency and the Green Deal**

4.1 Green Deal Providers need to be attracted to Cambridgeshire and encouraged to invest in the delivery of Green Deal within the county/ locality.

- 4.2 Consumer demand needs to be developed and harnessed through communicating the Green Deal offering and building-trust in the product.
- 4.3 The local delivery framework for Green Deal needs to ensure that local business gains access to the significant employment opportunities that an active Green Deal scheme could stimulate, thereby contributing to the development of Cambridgeshire's 'cleantech' sector.
- 4.4 Local employment opportunities need to be facilitated through skills training and development in a whole house approach to energy efficiency refurbishments, including solid wall insulation, air tightness and appropriate design of solutions.

**5. An extensive engagement process has involved key stakeholders across the county in the development of a solution**

- 5.1 To develop local engagement and ensure 'co-production' of the emerging delivery approach, the process has utilised workshops, focused discussion groups, 1:1 meetings, phone conversations, and an online presence to share information and findings.
- 5.2 More than 150 stakeholders were invited to a series of two workshops, to explore and then prioritise options for delivery of the Green Deal in Cambridgeshire. 60-70 stakeholders attended each workshop, and those who could not attend were encouraged to review materials and comment on documents via twitter and a micro-site linked to the Sustainability East website.
- 5.3 The engagement process has included a wide range of key stakeholders including community groups, local sustainable energy sector businesses, building stock owners and landlords, and key public sector representatives, including Members.

**6. Prospective Green Deal Provider companies have been actively involved in the process**

- 6.1 Under the Government's national Green Deal framework, Green Deal Providers are the hub of the Green Deal market-place.

- 6.2 Attracting Green Deal Providers and supporting their activities within the locality is therefore key to the successful delivery of Green Deal and the provision of a Green Deal offering to residents in Cambridgeshire.
- 6.3 Seven prospective Green Deal Providers, representing a mix of large national and smaller regionally based companies, have been actively involved in analysing the issues and developing the delivery approach.
- 6.4 These discussions have also focused on how Green Deal Providers can maximise the use of local contractors to the mutual benefit of both local businesses and these national/ regional service providers.

**7. The key issues have been identified and explored, and a preferred delivery approach has clearly emerged**

- 7.1 A Cambridgeshire branded Green Deal energy efficiency scheme is needed in order to increase awareness, build momentum and harness trust.
- 7.2 A county-level scheme is the most effective scale for operating a branded programme by delivering a local feel that is responsive to local character and communities, whilst also achieving necessary economies of scale.
- 7.3 Stakeholders from all sectors support a lead generation/referral process run by Green Deal Provider(s), rather than Cambridgeshire local authorities running such a process themselves.
- 7.4 A 'Partnership' delivery model has received fairly unanimous support from stakeholders. This would involve the local authorities procuring one or more Green Deal Provider partners to operate a Cambridgeshire branded scheme across the county, with the Green Deal Providers leading all elements of the programme and service delivery with support from the local authorities and the local community in promotion and lead generation.
- 7.5 The key objectives of this Partnership delivery structure would be that of maximising uptake through building-awareness and trust, and maximising local economic benefits by requiring Green Deal Providers to work with local businesses.

**8. The procurement process for selecting one or more Green Deal Provider/s will need to be carefully structured to incentivise local investment in Green Deal delivery**

8.1 The procurement process will need to balance and match the local authorities' objectives with the objectives of commercial Green Deal Providers.

8.2 Key local authority objectives include:

- securing the maximum take-up of Green Deal measures across the building stock of all Cambridgeshire's districts to reduce fuel poverty, carbon emissions and improve the building stock;
- ensuring good value, high quality energy efficiency installations with outstanding quality of work and customer care;
- boosting the local economy (employment, skills and learning, expansion and development of the energy efficiency and microgeneration business sector);
- supporting local community groups and voluntary sector organisations working on sustainable energy-related issues;
- establishing a [financially] sustainable energy efficiency/ Green Deal programme which continues to re-invest revenue streams in the delivery of the programme to cover marketing costs, Green Deal Assessments, management costs and affordable warmth support.

8.3 Key Green Deal Provider objectives include:

- securing access to a large market in Cambridgeshire whilst minimising costs;
- having access to existing local authority communication channels and networks;
- benefitting from local authority partnership endorsement to enhance consumer awareness, confidence and trust;
- having the ability to develop and invest in a long term business plan for Cambridgeshire based on confidence in securing an adequate customer base.

8.4 In establishing a formal partnership with Green Deal Provider[s] the procurement and negotiation process will need to:

- Identify the optimum number of Green Deal Provider businesses for Cambridgeshire and secure this number in the Cambridgeshire market;
- Select Green Deal service offering[s] that most closely match Cambridgeshire's requirements in terms of stock characteristics (e.g. prevalence of rural and of heritage stock), local geography and community governance structures;
- resolve how to cover the cost of Green Deal Assessments, such as through a 'pre-assessment survey', as they are the first step in the process and will be key to the uptake of Green Deal in Cambridgeshire;
- provide financing solutions for marketing and programme management of the local Green Deal scheme;
- identify how best to programme manage a Green Deal/ energy efficiency programme for Cambridgeshire. For example, should a scheme be geographically focused (with resources focused sequentially in an area-by-area approach) or open to all (promoted to all households across the county), or both?
- Determine an approach to the 'letting of concessions' for Green Deal Providers in Cambridgeshire. Should the procured Green Deal Providers operating under the Cambridgeshire Green Deal brand offer services to:
  - Any home within the whole county in competition with the other scheme Providers?
  - Specific geographical areas within the county (with exclusive access to these areas)?
  - Specific house types across the county (for example, procuring a specialist 'heritage Green Deal Provider' and a 'mainstream Green Deal Provider')?

**9. Cambridgeshire local authorities could acquire a share of the Green Deal value chain so as to resource this Green Deal activity**

- 9.1 The Cambridgeshire local authorities already dedicate staff resources to running energy efficiency activity within their areas, as demonstrated by a range of activity across the county including, for example, the Green House Project in Huntingdonshire and the Sustainable Parish Energy Partnership (SPEP) in South Cambridgeshire. However, the development of a Green Deal scheme in line with the 'Partnership' model outlined above, will require a significant scale-up of existing energy efficiency activity and the dedication of continued and additional council resources.
- 9.2 The 'Partnership' delivery model involves Cambridgeshire's public and community sectors delivering key elements of the Green Deal value chain, particularly in terms of generating customers for the Green Deal Provider/s. During negotiations with a Green Deal Provider partner, or partners, the public sector may therefore be able to secure a revenue stream related to the use of the county brand and the generation of leads. This revenue stream could take the form of a referral fee that is paid by the Green Deal Provider/s for each successful lead or customer that the Cambridgeshire programme generates.
- 9.3 This revenue stream may be significant enough to cover the cost of local authority resources required to run the scheme. The total Green Deal investment opportunity in Cambridgeshire is estimated at £830 Million. 10% of this total potential (i.e. £83 Million) could be considered a realistic (and not too ambitious) market opportunity for local authorities and local business to target in the short to medium term. If Cambridgeshire's local authorities could in turn secure 5% of the value of this market through a referral fee process then approximately £4 million would be available to cover their resourcing costs. Assuming a Green Deal programme runs from 2014 to 2020, then the annual budget available to Cambridgeshire local authorities would amount to £0.6 million per year.

## **10. Cambridgeshire's heritage buildings are likely to require specialist contractors**

- 10.1 Cambridgeshire has a significant number of heritage buildings which will typically require specialist knowledge for the installation of energy efficiency measures.
- 10.2 The county's heritage building stock needs to be assessed in detail to document the key archetypes, understand the main issues and to identify the key retrofit solutions.
- 10.3 The Retrofit Cambridge project is already assessing the low carbon retrofit options for heritage buildings. This initiative provides a useful platform for taking forward the analysis of the retrofit solutions for the heritage building stock.



## **11. A strategy is needed to attract affordable warmth funding for homes at risk of fuel poverty**

- 11.1 Fuel poor households are generally not suitable for Green Deal finance as they are likely to be under-heating their home so as to lower their energy bill, and will therefore not be able to afford Green Deal repayments.
- 11.2 ECO Affordable Warmth funding is available for low income households (with eligibility based on benefit entitlement and tax credits) and low income areas, but the ECO funding is limited and there are a lot of fuel poor households who are not eligible for this funding anyway.
- 11.3 Cambridgeshire needs to maximise its access to ECO funding by identifying the eligible households and making it easy for energy supply companies to target their ECO funding in the county. Cambridgeshire needs to prepare for the ECO 'brokerage' process, to secure the best deals possible from energy companies.
- 11.4 Cambridgeshire may need to develop an 'Affordable Warmth Fund' to support fuel poor households who are not eligible for ECO.

## **12. Dealing with non-domestic properties**

- 12.1 The implementation of the Green Deal mechanism in non-domestic buildings has had less attention than for housing. The jury is currently out on how well the Green Deal will suit the characteristics of the non-domestic sector and the likely market response. Nonetheless, in principle the Green Deal provides an excellent opportunity to help non-domestic customers improve energy efficiency. Customers could include public buildings, community buildings, commercial landlords, as well as tenants for rented buildings who will also be able to access Green Deal with their landlords consent.
- 12.2 The Green Deal could be a good means of landlords meeting the legal requirement for all rented properties to be brought up to an Energy Performance Certificate 'E' rating by 2018. The Green Deal could also help overcome the 'split incentive' in the rented sector between landlord and tenant.
- 12.3 Green Deal finance could be used in Council owned property as part of a strategic approach to property asset management and refurbishment. It may be that Green Deal offers valuable finance for much needed improvements. Alternatively, financing these measures internally could yield valuable returns which keep profits local.

12.4 Community buildings and SMEs could also benefit from Green Deal finance, although the relatively small energy consumption of these buildings may reduce the Golden Rule potential. In addition, the Green Deal marketing challenge for SMEs is considerable.

### **13. Cambridgeshire's local authorities need to act swiftly to develop and implement an action plan to prepare for the successful local delivery of Green Deal**

13.1 The Green Deal launch date of 1<sup>st</sup> October 2012 is fast approaching. During August the first round of companies have formally applied to become Green Deal Providers. These Green Deal Providers are already developing partnership relationships with local authorities in preparation for the first Green Deal projects going live from January 2013 when Green Deal finance is expected to become available.

13.2 The Cambridgeshire local authorities will need to show leadership – only the public sector can provide the coordination required to get a local energy efficiency scheme off the ground.

13.3 As Cambridgeshire's public sector has limited resources of its own to invest in local Green Deal delivery, it will be essential to create conditions to harness private sector investment into the county, particularly to cover the costs of marketing and managing a high profile, high turnover Green Deal programme.

13.4 The local authorities will need to continue to engage with the Green Deal Providers (who have been active in this project) in the design of the delivery framework to ensure that it meets their needs and adequately incentivises them to invest in Cambridgeshire.

13.5 The local authorities will need to continue to involve local community groups, voluntary organisations and local businesses in the design of the delivery framework to ensure it has their buy-in and is designed to meet their needs.

13.6 In order to get onto the front foot, a carefully scheduled, but swiftly paced, integrated programme of actions is urgently needed:

- **Inter- and intra-local authority decision-making** – all local authorities to proceed with internal decision-making processes so as to develop an agreed shared course of action for next steps by end of October 2012.
- **Procurement of Green Deal Provider[s]** - establish a committed local authority managed procurement schedule to commission a formal working arrangement (concession-type) with a Green Deal Provider or Providers (including agreement on

resourcing requirements, predominantly officer time). Procurement exercise to run from November 2012 to April 2013;

- **Business plan of delivery programme** – develop the business plan for the preferred delivery programme in conjunction with the Green Deal Provider/s partner and key local community stakeholders. May-July 2013.
- **Communication strategy** - develop the Green Deal communication strategy for Cambridgeshire including interim messages/ approach for the next year and the branding for the longer term delivery programme. Oct 2012 – August 2013.
- **Capacity-building** – compile a strategy to develop the capacity of local supply chain and community groups to delivery of Green Deal including signposting/ training support for SMEs and community groups. July-August 2013.
- **Launch of scheme** – set target date for the launch of the full single-brand ‘Cambridgeshire community connected’ Green Deal scheme. September 2013.