

**Oxfordshire Environment Partnership**

**26 October 2012**

## **Agenda Item 6: Green Deal update**

### **Summary**

1. In order to respond to the Government's request to local authorities to promote the Green Deal and to help prepare for the March HECA report next year, the Partnership is asked to endorse the following:

### **Recommendation**

- i. In order to promote the Green Deal across the county, District Councils (other than Oxford City) are recommended to consider becoming individual shareholder members of the USEA CIC, subject to their own decision making processes.

### **To note**

- ii. In preparing for the HECA report next year, Councils will want to recognise that the Green Deal, even with ECO funding, is not a panacea, despite being the Government's flagship scheme. Depending on individual policy objectives, it will probably form part of a wider strategy.
- iii. Oxfordshire County Council has enabled the release of £200k to the Low Carbon Hub to promote community-based energy efficiency and renewable energy measures.
- iv. Oxford City Council is supporting the Low Carbon Hub and the Energy Saving Co-op with a grant of £50k to implement the first area-based pilot of the Green Deal in the county.
- v. USEA have been informed of the outcome of the last meeting of the Partnership as part of further discussions;
- vi. Officers will bring further reports on the Green Deal and other energy saving measures as appropriate.

### **Introduction**

2. At its meeting in June, the partnership considered a report on the Green Deal seminar and agreed:
  1. to refer the options paper and the two recommendations proposed to the officers working group to finalise proposals and make further recommendations to the partnership at its next meeting or earlier.

2. to inform the United Sustainable Energy Agency of the partnership's favourable view of their proposals; and
  3. that officers should agree a timetable for making the decision relating to investment in the Green Deal.
3. This paper summarises the subsequent work by officers and other subsequent developments.

## **Update**

4. In July, the Government published new guidance for reporting under the Home Energy Conservation Act (HECA)<sup>1</sup>. The Secretary of State requires local authorities with housing responsibilities to report on their energy efficiency plans by 31 March 2013. The reports should include an overview of those measures which are likely to result in significant improvement, in particular schemes such as the Green Deal, ECO and the Renewable Heat Incentive as well as roll out by community groups.
5. Cherwell District Council has agreed to invest as a shareholder in the USEA Community Interest Company (USEA CIC). West Oxfordshire District Council will also be considering a recommendation to invest.
6. Oxford City Council has recently announced that it is supporting the Low Carbon Hub and the Energy Saving Co-op in a Green Deal Go-early scheme in Barton with a grant of £50k. This will pilot the area-based approach in the county.
7. Oxfordshire County Council has enabled the release of £200k to the Low Carbon Hub to support its work with community groups across the whole county. The Low Carbon Hub's ambition is to 'Power up/ power down' Oxfordshire to generate or save sufficient electricity as an alternative to replacing the Didcot A power station which closes in 2015.
8. USEA have confirmed that it is not able to provide any discounts for joint-membership of its CIC. Otherwise its proposals have not changed. Therefore there does not seem to be any advantage in jointly investing in the USEA CIC as a partnership. By investing individually, Councils will get the full benefit of USEA's promotional activities and the grants to be made from the Trust Fund which will be set up with the CIC.

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<sup>1</sup> DECC (2012) Guidance to English Energy Conservation Authorities issued pursuant to the Home Energy Conservation Act 1995

9. The Energy Saving Co-op has provided more details of its investment offer. They are similar in principle to those from USEA but the details differ.

### **Comparison of USEA and Energy Saving Co-op proposals**

10. Table 1 compares the schemes proposed by USEA and the Low Carbon Hub/ Energy Saving Co-op.
11. USEA's proposal is essentially a continuation of its previous ways of working. It will promote the Green Deal through its website and other marketing activities. When contacted by a householder, it will act as a broker, linking the householder to suppliers and to finance. It will cover the whole of each member's district but with a lower conversion rate than an area based approach.
12. The Energy Saving Co-op has teamed up with the Low Carbon Hub to offer an area-based approach, working through community groups. This partnership builds on the strengths of community groups in Oxfordshire. Its coverage will be less than the USEA approach but as an area-based approach, its conversion rate should be higher in those communities where it is active.
13. USEA will promote only the Green Deal. The Energy Saving Co-op will promote a range of energy saving options, including the Green Deal. It takes the view that the Green Deal, even when combined with ECO funding, will only be suitable for a proportion of the total housing stock. When considering whether and how best to invest, Councils will wish to take into account the characteristics of the local housing stock and their own policy objectives.
14. The investment options provided by both organisations have broadly similar risks and rates of return. They are, in reverse order of attractiveness:
- **Project finance:** Investing in bonds at scale to provide finance for Green Deals is at present a purely financial decision. It might be worth considering from an environmental perspective in the future were the availability of funds to limit the uptake of the Green Deal.
  - **Revenue options:** Paying an annual membership fee to USEA is less attractive than making an investment which will be paid back with a potential profit. Making a grant to the Energy Saving Co-op may be attractive to encourage greater take-up or to release other grant funding. Oxford City is piloting this approach and other authorities will want to learn from its experience as they develop their own strategies.
  - **Investment option:** From an investment perspective, the two opportunities are broadly similar and would require further investigation. From an environmental perspective, the opportunities are different. USEA offer wide-spread promotion in each member's area while the Energy Saving Co-op offers a more intense promotion through community groups in a localised area.

Given that two District Councils have decided to support the USEA option,

encouraging the remaining two to do the same and so secure county wide coverage to promote the Green Deal in its early stages is attractive. It does not preclude investing in the community-based option at a later date when the Partnership will be able to learn from the Barton pilot.

## **Conclusion**

15. By supporting a mixed economy of county- wide and area-based approaches, the county's authorities can secure benefits for residents and support the Government's energy saving and fuel poverty objectives. At the same time it can explore the relative strengths of the different approaches to help inform future strategy.

## **Recommendation**

16. In order to promote the Green Deal across the county, District Councils (other than Oxford City) are recommended to consider becoming individual shareholder members of the USEA CIC, subject to their own decision making processes.

## **Contact Officer**

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**Table 1 – Comparison of the proposals from USEA and Low Carbon Hub/ Energy Saving Co-op**

	<b>USEA</b>	<b>Low Carbon Hub/ Energy Saving Co-op</b>
<b>Structure</b>	Local authority owned Community Interest Company, active in much of the Thames Valley.	Pairing of the Low Carbon Hub – a Community Interest Company supporting community groups in Oxfordshire and the Energy Saving Co-op – a co-operative society active in Oxfordshire, the West Midlands (and the East Midlands from September).
<b>Overall approach</b>	Wide spread promotion and delivery of the Green Deal.	Community-focused promotion and delivery of domestic energy saving including the Green Deal.
<b>Possible impact</b>	Spread across the county.	Significant in localised areas.
<b>Investment option</b>	£35,000 to invest in the USEA Community Interest Company, paid back within six years, giving voting rights and the active marketing of the Green Deal in the member's area.	£30,000 - £100,000 investment in loan or equity funding. Equity funding gives voting rights and a share of the dividend.  Loan funding attracts 5% to 10% over base rate depending on instrument.
<b>Revenue option</b>	Annual membership fee of £5,000 per 50,000 dwellings to cover marketing of the Green Deal actively in the member's area.	Approx. £50,000 supports an intensive community led promotion and support scheme in one community.
<b>Project finance</b>	Investment in Green Deal Finance Company (GDFC) secures a return, currently around 7% and priority allocation of Green Deal Finance to the member's area.	Possible bond issues at bond offer rate – probably similar to GDFC

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