

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
Her Majesty's Treasury
1 Horse Guards Road
London
SW1A 2HQ

cc: Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy

8 April 2022

Industry letter in support of expanding the eligibility of the Energy Company Obligation Scheme

Dear Chancellor,

1. We welcome the Government's response to the ECO4 consultation and recent announcement on the Government's plans to provide energy security. However, we feel the Government should place a greater priority on addressing the energy efficiency in our nation's building stock.
2. Whilst we also welcome the Chancellor's announcement to provide VAT relief, which will help reduce the upfront cost of some energy efficiency measures, we believe that reducing VAT simply removes a barrier and further incentives will be required to stimulate 'able to pay' households to act.
3. A significant gap remains for the 60% of homes that are owner-occupied and not fuel poor. With the current Energy Bill Crisis, which is expected to remain with us for the long term, we are concerned that many more households will fall into fuel poverty, and this is something we are determined to help prevent. In fact, the fuel poverty charity National Energy Action (NEA) predicts that when the price cap is raised in April, 2 million more UK households could be plunged into fuel poverty, totalling 6.5 million.
4. As a solution, we would like to propose an '**ECO+ Scheme**', which would build upon the success of the current ECO scheme, bringing its benefits to the 'able-to-pay'. It would run adjacent, but separate to, the current iteration of ECO to ensure the key support ECO brings to vulnerable households is not impacted.
5. A key difference is that whilst energy bill payers fund the current ECO scheme to support action to benefit vulnerable householders, ECO+ would have to be funded utilising taxpayer funding as additional costs could not be placed on energy bill payers at the current time.

6. Energy suppliers already have supply chains in place actively delivering the existing ECO scheme. These supply chains could be leveraged to deliver an expanded programme of energy efficiency measures to a broader set of households. It is our view that a doubling of the currently planned scale of the next phase of the existing ECO scheme (ECO4) is a realistic and deliverable target – this would represent an additional £1bn per year of investment in energy efficiency up to 2026.
7. A key benefit of this approach is that the current **administration and oversight** provided by Ofgem could be adopted, using processes and procedures already in place for the existing ECO scheme, ensuring delivery and value for money.
8. To remove any risk to HMG in utilising taxpayer funding we propose that a **pay after delivery** model is adopted, whereby funding would only be provided to energy suppliers once measures had been installed and signed off by Ofgem (using existing ECO quality controls). However, to mitigate any cashflow issues for suppliers and their delivery partners it will be key that this money is provided as quickly as possible after delivery.
9. In addition, we propose that unlike the current ECO scheme this is a **voluntary mechanism** where energy suppliers would not be obligated to deliver ECO+ but would instead be offered a budget allowance from the scheme linked to their market share. Any un-used allowances could be recycled to other suppliers to ensure delivery across the scheme in its entirety.
10. We champion an approach founded on a fabric first principle because energy efficiency and heat are integral parts of the challenge. We have the Boiler Upgrade Scheme in motion, the VAT relief to cut costs, what ECO+ would do is to provide the mechanism to deliver energy efficiency where it is required. The available technology solutions work better together. Increasing the energy efficiency of the building fabric helps to maximise the gain from efficient heating solutions. To address one without the other leads to sub-optimal results for homeowners, investors, and the Government. We believe ECO+ gives us the means to address this and ensure the consumer reaps the full benefits of energy efficiency measures.
11. ECO+ is built upon the legacy of ECO, which has remained stalwart throughout consecutive governments. ECO is a tried and tested scheme which has provided Energy Efficiency measures for millions of our most vulnerable households. It is time we extend this out to those who will soon be at risk, those who have no policy to help them through these times. Industry is ready to assist our nation and reinforce it through a volatile time with the means we have at our disposal.
12. We would be delighted for the opportunity to meet with you and your officials to discuss this proposal further.

Yours Sincerely,

Jade Lewis, *Chief Executive*, **Sustainable Energy Association (SEA)**
Gearoid Lane, *Chief Executive Officer*, **AgilityEco**
Mark Randall, *Managing Director*, **Aran Insulation**
Andrew Warren, *Chair*, **British Energy Efficiency Federation (BEEF)**
Simon Wild, *Managing Director*, **Chimella**
Duncan Law, *Acting co-Chief Executive*, **Community Energy England**
Dr Alister Scott, *Chair*, **Cuckmere Community Solar**
Grant Peisley, *Director* **Datblygiadau Egni Gwledig (DEG)**
Brian Tilley, *Head of External Affairs*, **E.ON**
Steve Bratt, *Group Chief Executive Officer*, **Electrical Contractors' Association (ECA)**
Paul Hutchens, *CEO*, **Eco2Solar**
Kaa Holmes, *Communications Director*, **EDF**
Syed Ahmed, *Director*, **Energy for London**
Iain Garner, *Director*, **Gloucestershire Community Energy Co-op**
William Swan, *GMCA Chair of Low Carbon Buildings*, **Greater Manchester Combined Authority**
Rebecca Taylor, *Business Development & Compliance Manager*, **HD Services**
John Sparrow, *Company Secretary* **Insulated Render and Cladding Association (INCA)**
Jonathan Ducker, *Head of Regulatory Affairs*, **Kingspan**
Derek Horrocks, *Chair*, **National Insulation Association (NIA)**
Sam Hollister, *Head of Policy and Public Affairs*, **OVOEnergy**
Andrew Parkin, *Chair*, **Property Energy Professionals Association (PEPA)**
Peter Bywater, *Managing Director*, **Ridgewater Energy**
Tony Gordon, *Head of Product Management*, **Superglass Insulation**
Rosalind Kent, *Assistant Secretary*, **Transition Eynsham Area (GreenTEA)**
David Holliday, *Managing Director*, **URP Group**