

Sustainable Development Select Committee		
Title	Update on the Energy Company Obligation and opportunities for energy efficiency and carbon reduction projects in Lewisham	
Contributor	Sustainable Resources Group Manager; Sustainability and Climate Change Policy Lead	Item. 5
Class	Part 1 (open)	12 March 2014

1. Purpose

- 1.1 This report provides an update to the Sustainable Development Select Committee on activity in the borough under the Energy Company Obligation.

2. Recommendations

- 2.1 The Sustainable Development Select Committee is asked to note the approach set out in sections 4-5 below.

3. Policy context

National

- 3.1 The Climate Change Act 2008 commits the UK to an 80% reduction in greenhouse gases for the year 2050 from a 1990 baseline with an interim milestone of 34% by 2020.
- 3.2 The Energy Company Obligation (ECO) was established by the Government in 2013 as the latest carbon reduction, energy efficiency and fuel poverty obligation placed upon energy companies. ECO has three strands:
1. Carbon Emissions Reduction Obligation (CERO): focuses on hard to treat homes and in particular solid wall insulation in all tenures of housing.
 2. Carbon Savings Community Obligation (CSCO): targets the most deprived Lower Super Output Areas in the country. CSCO is open to all tenures of property and designed to provide insulation measures.
 3. Home Heating Cost Reduction Obligation (HHCRO): only available to private sector homes; designed to support measures that improve the ability of low income and vulnerable households to heat their homes and will fund heating upgrades and loft and cavity wall insulation.

Local

- 3.3 Lewisham's Sustainable Community Strategy includes the strategic priority 'Clean, green and liveable': where people live in affordable, high quality and adaptable housing, have access to green spaces and take responsibility for their impact on the environment.
- 3.4 Climate Local, the successor to the Nottingham Declaration, was launched by the Local Government Association in 2012 as a means to demonstrate local

government's commitment to action on climate change. Lewisham Council signed up to Climate Local in November 2012, and has published an Action Plan setting a new borough-wide carbon reduction target of a 44% reduction in CO₂ emissions by 2020 from a 2005 baseline.

- 3.4 The Lewisham Insulation Partnership ran from September 2011 until December 2012 and used Carbon Emissions Reduction Target funding to deliver over 4,000 loft and cavity wall insulation jobs and draw in over £1m of funding to the borough.

4. Current position on ECO

- 4.1 In response to concerns about rising energy prices, the Government announced changes to ECO in the Autumn Statement, including extending the first phase to 2017 from 2015. The Government is planning a further consultation on ECO, which is expected to start in February/March 2014. The outcome of the consultation will be retrospectively applied from April 2014.
- 4.2 The changes to ECO have reduced the amount of funding available for certain types of work, notably 'hard to treat' cavity wall insulation and solid wall insulation. In the days following the Autumn Statement ECO funding offers were withdrawn and there remains a degree of instability. It is hoped that once the full details of changes to ECO are established that the extended duration of the first phase of ECO will bring some stability.
- 4.3 Lewisham's Energy Efficiency Installations Framework was established in 2013 as a means for delivering energy efficiency and carbon reduction measures, including accessing funding from ECO. A contract to provide services under the 4 year single contractor Framework was awarded to Osborne Energy following an OJEU compliant procurement process. The Framework has been designed to allow other boroughs and social housing providers in the South-East London sub-region to use it.

5. Opportunities under ECO

Hard to treat cavity wall insulation

- 5.1 Hard to treat cavity wall insulation relates to blocks of over 3 storeys and cavity walls of non-standard configuration. Prior to the changes to ECO brought in at the end of 2013 these works could potentially deliver substantial levels of over-funding which could be used to cross-subsidise other works. These levels of funding are now no longer available.
- 5.2 Despite ECO's instability Lewisham Council has been able to secure rates for the installation of hard to treat cavity wall insulation through the Energy Efficiency Installations Framework that will fully cover the cost of the works. Works are currently proceeding on 1,100 Lewisham Homes properties in 59 blocks identified as eligible. Although subject to final onsite surveys, works to these 1,100 properties are expected to generate £1m ECO funding. The works need to complete before the end of May 2014 when the rates are expected to reduce.

Borough-wide insulation offer

- 5.3 Following agreement of the Energy Efficiency Installation Framework the initial priority has been to target Lewisham Homes properties eligible for the higher levels of ECO funding for cavity wall works before rates fall.
- 5.4 The next phase of work is to develop an ECO-funded offer available to as many residents as possible across different housing tenures. This offer is expected to cover loft and cavity wall insulation measures but will also potentially include other measures where funding is available such as boiler repairs and heating upgrades.
- 5.5 The areas eligible for CSCO have increased from the 15% most deprived lower super output areas (LSOAs) to 25%; in Lewisham this has the effect of making a total of 94 areas eligible for funding. As there are no restrictions on tenure in CSCO areas, this helps extend the potential opportunities, as will other changes that allow standard cavity walls and loft insulation to be funded through CERO.
- 5.6 An area-based approach will be used to ensure that residents are able to get the best possible deal on insulation within the funding framework that exists.

Support for businesses

- 5.7 ECO does not cover non-domestic properties, and currently there is limited support for businesses on energy efficiency beyond information. Pressures on resources are likely to limit the level of active support that can be offered but the Council will continue to seek out potential opportunities and look at ways the Energy Efficiency Installations Framework can be developed to help benefit Lewisham businesses.

Engagement with RSLs and private sector landlords

- 5.8 Social housing providers with properties in Bexley, Bromley, Southwark, Greenwich or Lewisham can access the Council's Energy Efficiency Installations Framework. Engagement work with social housing providers is now underway to promote the Framework, particularly with smaller organisations who may not have capacity to access ECO.
- 5.9 Improving energy efficiency in the privately rented sector is an increasingly significant area of work. There has been a large rise in this sector, with the 2011 census identifying a 109% increase in the borough over 10 years. Properties in the privately rented sector are typically the least thermally efficient of all housing tenures - the 2011 Lewisham Private Rented Sector Study indicated that 37% of private sector dwellings in Lewisham are believed to be non-decent.
- 5.10 It is therefore likely that many of the properties in the private rented sector can benefit from the measures funded under ECO and within the Green Deal. In addition legislation is creating additional pressure for action as from 2016 landlords will not be able to refuse reasonable requests for improvements to their properties and, from 2018, will be unable to rent out properties with an EPC of F or G. The Council will be working with representative groups and landlords

already working with the Council to encourage take up of funding for energy efficiency improvements. We will also target landlords as part of the development and roll out of a borough-wide offer.

Green Deal

- 5.11 Lewisham Council is the lead on a bid with Bexley and Bromley Councils for £1.1m from the DECC Green Deal Communities Fund. £845k of the proposal seeks to provide an incentive to take up solid wall insulation, offering a contribution towards the cost of the works where the resident takes out a Green Deal Plan. The contribution is a tapered amount designed to encourage people to act earlier to secure a larger contribution toward the overall cost.

Employment and skills

- 5.12 The Council's work on ECO is an opportunity to boost employment and training. The Framework has been designed to support the local supply chain, and in addition Lewisham is a partner in a current ERDF bid seeking to provide training for SME's to help them access the supply chain for ECO and other energy efficiency and retrofitting opportunities.
- 5.13 £200k of the DECC Green Deal Communities Fund bid is also identified for training and support for SME's with a more specific focus on providing them with new skills for which they can receive an accreditation.

Communal heating

- 5.14 The changes to ECO have made it easier to fund communal heating projects and the Council and Lewisham Homes are reviewing the systems across Lewisham Homes' stock to identify opportunities. These will be brought forward in 2014.

Corporate and schools

- 5.16 A draft Energy Policy has been produced with a target of a 20% reduction in carbon emissions for corporate sites from 2013/14 to 2017/18. This Energy Policy is scheduled to be adopted corporately in March 2014. A range of new approaches to energy management and generation are being considered as part of the Lewisham Futures Programme to ensure energy efficiency and carbon reduction play a full part in responding to the Council's financial pressures. Although ECO funding does not extend to non-domestic properties there are potential opportunities to access funding from the feed-in-tariff and renewable heat incentive that are being explored.

7. Financial, legal and equalities implications

- 7.1 There are no specific commitments included in this report. Any specific projects delivered and any costs arising in relation to carbon reduction projects will need to be agreed on a separate basis following corporate procedures and delegations.
- 7.2 The Framework used to access ECO funding was entered into in December 2013 following an OJEU compliant procurement exercise.

If there are any queries on this report please contact **Martin O'Brien, Sustainable Resources Group Manager**, 020 8314 6605.

Background Documents

Lewisham Council report under the 2012/13 Home Energy Conservation Act (HECA)
<http://www.lewisham.gov.uk/getinvolved/environment/energyefficiency/Energy-efficiency-at-home/Documents/LewishamHomeEnergyConservationActReport2013.pdf>

Lewisham Council's Climate Local Action Plan
<http://www.lewisham.gov.uk/getinvolved/environment/energyefficiency/taking-the-lead/Documents/ClimateLocalActionPlan.pdf>