

Financing and delivering UK public sector energy efficiency

Insights from the Public Sector Energy Efficiency Loans Scheme evaluation

Energy Evaluation Conference

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Introduction

- The Public Sector Energy Efficiency Loans Scheme provides interest free loans to public sector bodies¹ to support the installation of energy efficiency measures
- The scheme includes two forms of funding:
 - **The Salix Energy Efficiency Loans Scheme (SEELS):** Interest-free loans to fund energy efficiency measures, repaid within 5-8 years through energy bill savings.
 - **The Recycling Fund² (RF):** A ring-fenced, interest-free loan, match funded by the participating organisation. Once loan funds are repaid, they are then recycled to fund other energy efficiency installations within the organisation.

1 = Including Local Authorities (LA), National Health Service (NHS) / Foundation Trusts, Emergency Services, schools, further and higher education institutions (FEIs and HEIs respectively)

2 = The RF has been closed to new applicants since 2011, but still continues for existing participants.

Evaluation aims and objectives

1. Develop a robust assessment of net scheme impacts - reductions in energy consumption, bills and green house gas emissions
- 2. Improve understanding of how the scheme's processes operate in practice and identify successes and barriers in the scheme's implementation**
3. Assess the cost-effectiveness of the scheme overall and the cost-effectiveness of different energy efficiency measures
- 4. Generate learning from the loan scheme that is of wider benefit and use within BEIS and in other organisations**

We are focused on objectives 2 and 4 as they provide useful insights to those interest in maximising energy efficiency take up in organisations using financial mechanisms

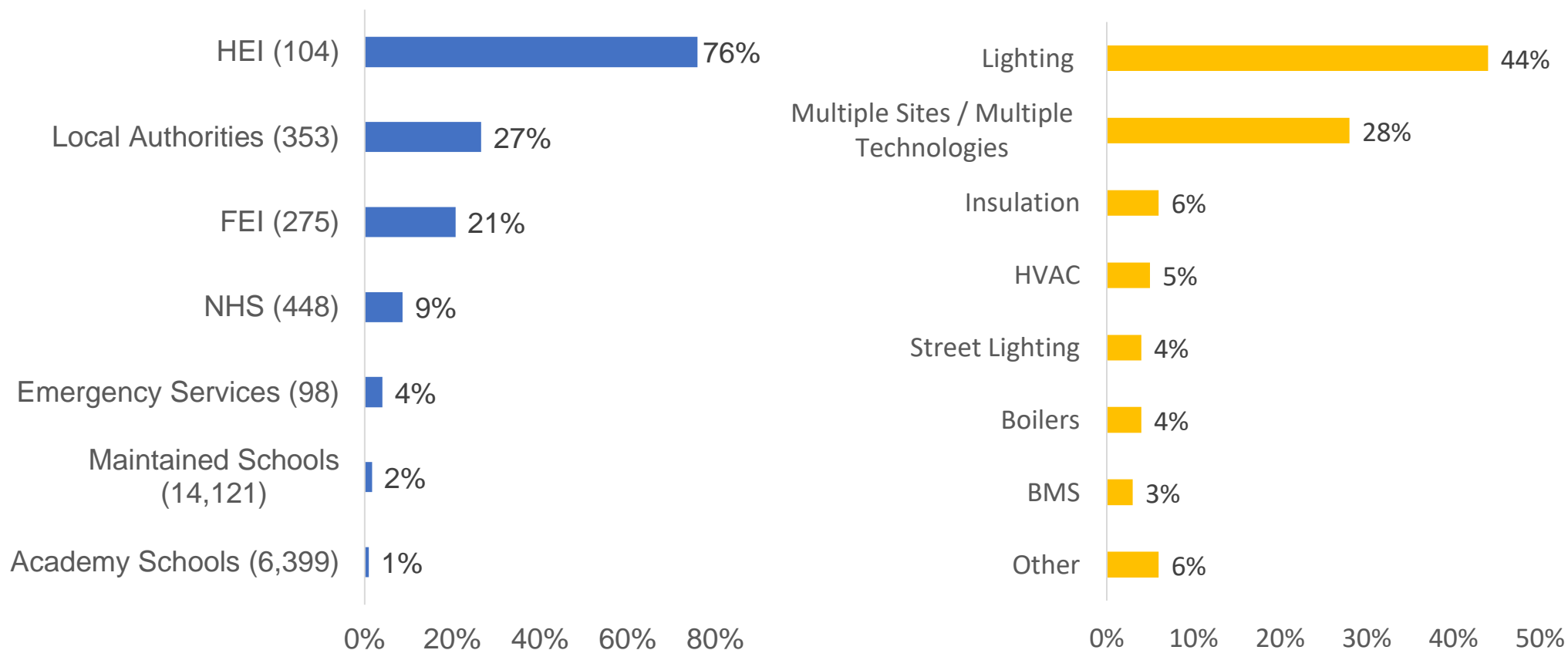
Method overview

- Theory based evaluation, underpinned by a theory of change, which evolved as evidence was gathered during the evaluation
- Mixed methods approach
- Qualitative in-depth interviews, quantitative interviews with a representative sample of participants and non-participants
- Quasi-experimental impact evaluation

Findings: Scheme activity

Between 2013/14 and 2016/17 3,470 projects were funded across 564 organisations, with a total spend of £235m

Figure 2: Proportion of projects by organisation (N=21,798*) and technology type (n=3,470) 2012/13 – 2016/17 (%) SEELS and RF



* = Figures in parentheses within the chart are population figures for each organisation type.

Drivers and barriers to participation

Drivers

Financial

- Bill savings, interest free
- Leverage other finance

Non-financial

- Planned refurbishment
- Delivering carbon savings
- Demonstrating leadership
- Trust in the scheme

Barriers

- On balance sheet debt, particularly for NHS and Further Education
- Procurement challenges
- Estate changes and rationalisation
- Capacity and skills constraints
- Schools – awareness and delivery access issues and poorer payback

Scheme delivery and experience

- Scheme employs Client Support Officers
- Most participants had good experiences, appreciating the CSOs as projects were highly context specific which this model helps support
- Scheme flexibility and assurance function valued
- Meeting loan repayment periods becoming more challenging

Outcomes and scheme contribution

- Few undertaking monitoring (M&V), but most believed the scheme was meeting their savings expectations
- A range of co-benefits and unintended outcomes identified
 - Enabling leveraging of internal and external funds for more energy efficiency, or ancillary works
 - Building skills and confidence
 - Improved internal environments (e.g. improved lighting quality and reduced maintenance costs)

Participant suggested changes to the existing scheme

- Changes to repayment criteria
- Improving scheme awareness amongst finance teams and senior management
- Off balance sheet finance options
- Additional advice and support – e.g. for smaller organisations, including procurement support

Participant suggestions for Design and delivery of financial mechanisms

- **0% interest:** Important psychologically, to ‘sell’ internally
- **‘Use it or lose it’:** The ‘use it or lose it’ aspect of the recycling fund, appears to encourage considerably greater levels of activity compared to SEELS.
- **Government backing and ease of use**

Participant suggestions for design and delivery of energy efficiency policy

- **Simplicity and stability:** To many, the scheme's success was its stability of delivery over time.
- **Flexibility:** The targeted and flexible nature of support offered by scheme managers was helpful, particularly when working with larger, more experienced participants.