

Evaluation of the Energy Company Obligation (ECO)

Energy Evaluation Europe Conference
2022

Owen Davis (BEIS)

Alex Thornton (Kantar Public)

September 2022



Department for
Business, Energy
& Industrial Strategy



What we will cover ...

1. **UK context:** how the UK compares to European countries and current policy
2. **Energy Company Obligation (ECO) policy** – overview of the design
3. **Our evaluation approach**
4. **Findings and conclusions**
5. **Discussion**



- 1. **UK context:** how the UK compares to European countries and current policy
- 2. Energy Company Obligation (ECO) policy – overview of the design
- 3. Our evaluation approach
- 4. Findings and conclusions
- 5. Discussion



Where does the UK stand?

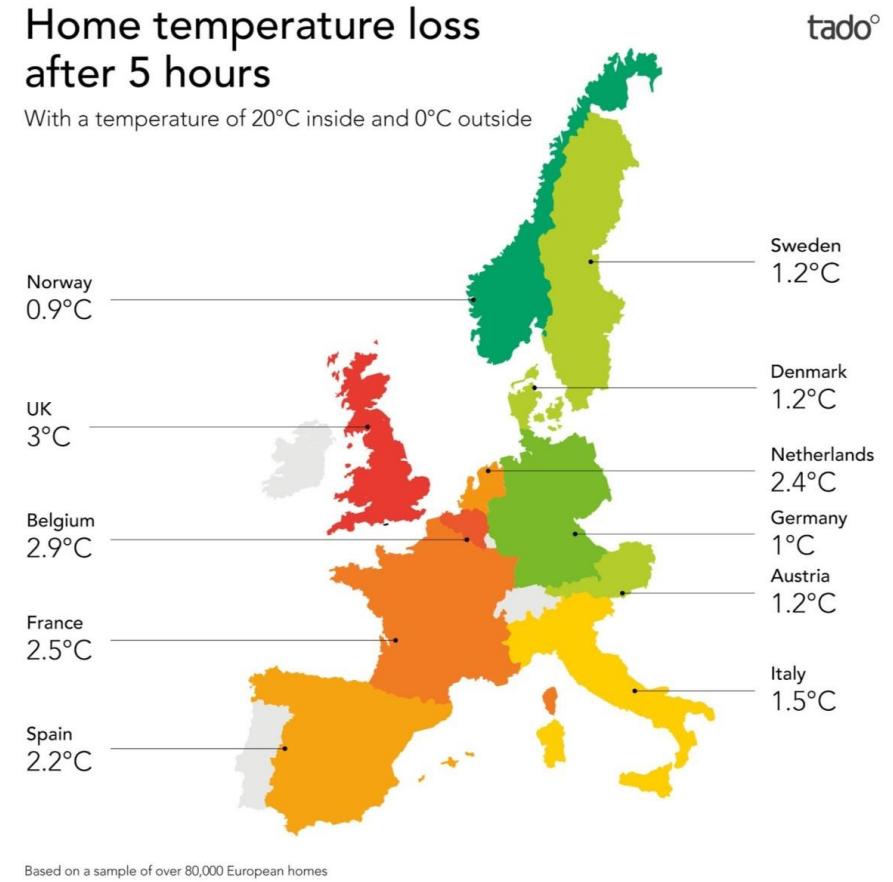
Figure 12: Percentage of homes rated EPC A-G in England, 2004-2019



Department for Business, Energy and Industrial Strategy (2020)
Heat and Buildings Strategy

Home temperature loss after 5 hours

With a temperature of 20°C inside and 0°C outside



<https://www.tado.com/gb-en/press/uk-homes-losing-heat-up-to-three-times-faster-than-european-neighbours>

What are our plans?

Among other goals, the Heat and Buildings Strategy, published in 2021, commits to:



- Improving the performance of poorer performing homes throughout the 2020s so, where cost-effective, as many homes as possible can achieve EPC C by 2035
- Targeting support at low income households through financial support schemes to increase energy efficiency and help switch to low-carbon heating
- Phasing out new natural gas boilers from 2035 and setting a clear ambition for industry to reduce the costs of heat pumps
- Ensuring all new build properties are installed to high energy efficiency standards and are fitted with low-carbon heating.

- 1. UK context: how policy differs across countries and levels of home efficiencies
- 2. Energy Company Obligation (ECO) policy – overview of the design 
- 3. Our evaluation approach
- 4. Findings and conclusions
- 5. Discussion

Energy Company Obligation (ECO)



Department for
Business, Energy
& Industrial Strategy

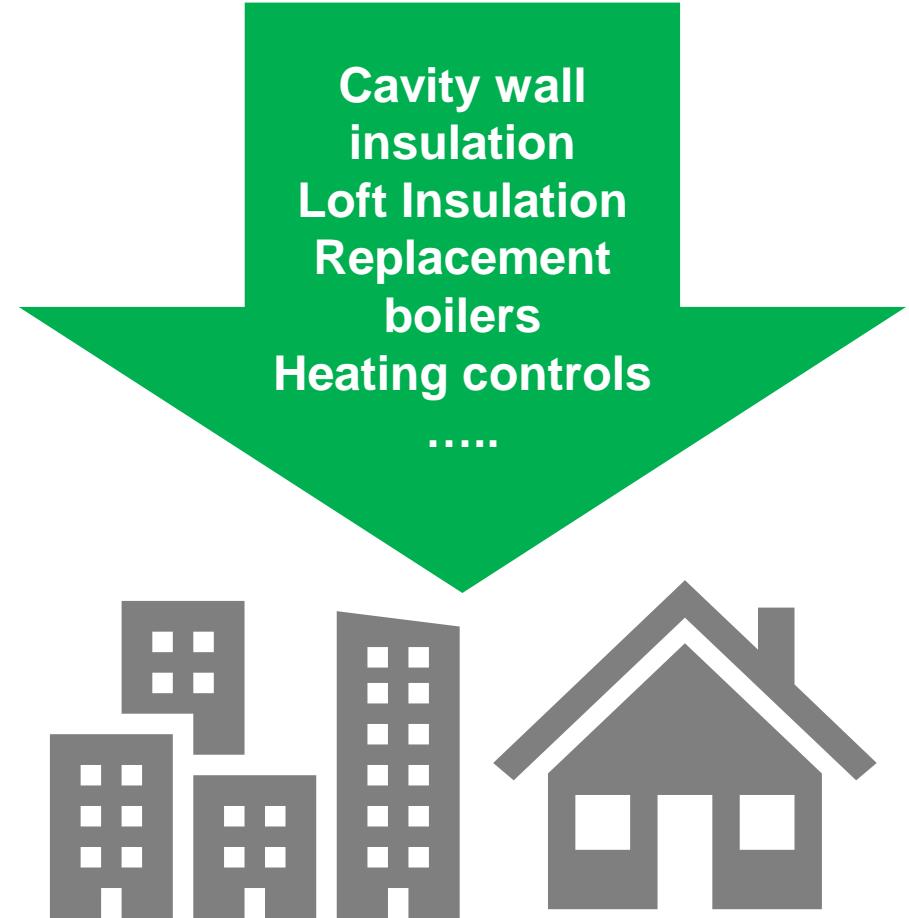


- ECO, launched 2013, **requiring energy suppliers to deliver energy efficiency and heating measures** to homes in GB
- Ofgem administers the scheme on behalf of the Department for Business, Energy, & Industrial Strategy (BEIS):
- **ECO is the latest in a long line of Supplier Obligations** (CERT, EEC and SOP all predecessor schemes)
- A **cornerstone of domestic energy efficiency policy** in GB
- **Focused support on households in fuel poverty + properties that are less energy efficient**
- **To reduce greenhouse emissions and lower cost of energy bills**

Types of measures offered through ECO

Energy Company Obligation (ECO)

- Measures installed under ECO aim to provide energy savings to help households:
 - keep homes warmer and more comfortable to live in
 - Reduce energy bills and reduce carbon emissions
- Wide variety of measures – focus on improving insulation and efficiency of heating
- Not primarily about renewable / green energy
- Some homes receive more than 1 measure



- 1. UK context: how policy differs across countries and levels of home efficiencies
- 2. Energy Company Obligation (ECO) policy – overview of the design
- 3. Our evaluation approach 
- 4. Findings and conclusions
- 5. Discussion

To **support the development of policies** there is a need to capture robust evidence on the impact of ECO to date

Supporting the development of successor to ECO

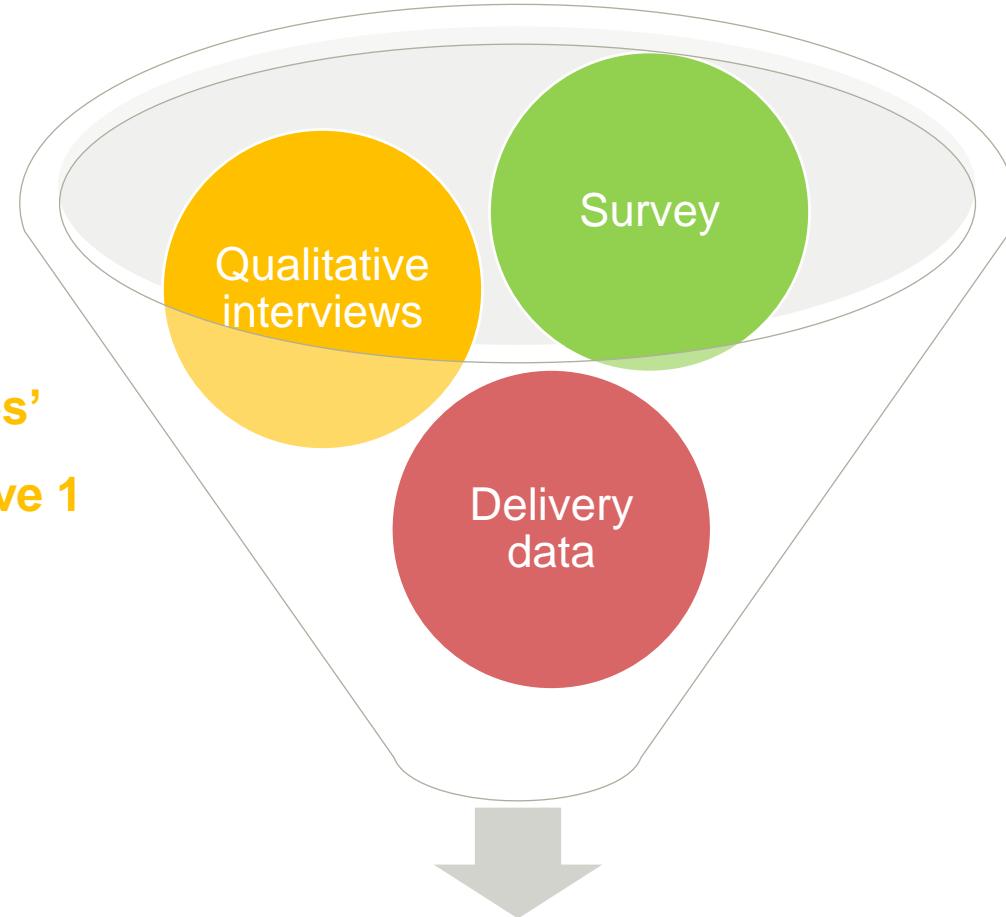
Need a robust **understanding of the characteristics of households** that have benefitted

Understand **impact of energy efficiency measures in the real world**



Integrated thematic analysis

- After survey wave.
- Providing 'deep dives'
- 40 interviews for wave 1



- Survey of 2,857 households
- March - May 2020
- Postal & online

- 1. UK context: how policy differs across countries and levels of home efficiencies
- 2. Energy Company Obligation (ECO) policy – overview of the design
- 3. Our evaluation approach
- 4. Findings and conclusions 
- 5. Discussion



Key Findings



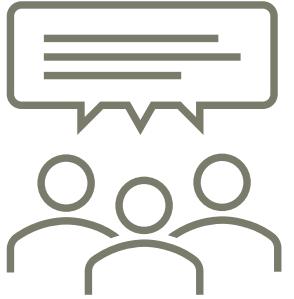
- Awareness of options for home improvements and funding sources is low and acts as a barrier in the pursuit of Net Zero.
- Evidence suggests that interest in home improvements is highest when tangible personal benefits, such as increased thermal comfort and lower energy bills, are highlighted.
- Six in ten households felt they had benefitted from having the measures installed. Reported benefits included having a warmer home (67%) and lower energy bills (41%).
- However, satisfaction varied depending on the measures and was greatest with least intrusive measures (e.g. new boilers, loft insulation), whilst those installing more intrusive measures (e.g. Solid Wall Insulation) reported more problems and less satisfaction.

Policy Implications

- Lack of awareness suggests need to proactively **promote the energy improvement options available to households**, as well as tangible benefits, e.g. thermal comfort and lower energy bills
- Government funded schemes, such as ECO, may encourage households to have measures installed that they would not otherwise. However, it is unclear whether they would be **willing to fund such measures themselves** and if so, how much they would be willing to contribute.
- More needs to be done to **promote the benefits of 'deep' retrofit** and to understand the reasons for dissatisfaction with measures such as SWI, UFI.



Points of discussion



- **What level of demand is there for deep retrofit measures**, such as Solid Wall/Underfloor Insulation in your country?
- Are people **willing to contribute** towards these measures financially? If so, how much are they willing to pay?
- Is there evidence that **demand for installations is increasing due to instability in energy prices** and are governments taking advantage of this?

- 1. UK context: how policy differs across countries and levels of home efficiencies
- 2. Energy Company Obligation (ECO) policy – overview of the design
- 3. Our evaluation approach
- 4. Findings and conclusions
- 5. Discussion 