

Demand for the Green Deal: Transforming the market for domestic efficiency

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(as part of the 'VERD' project with
George Chrysochodis, Lucy Crane & Hazel Pettifor)

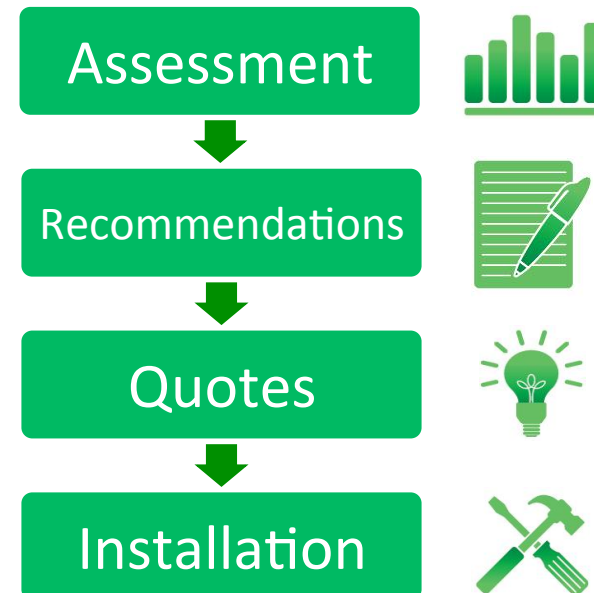
The Green Deal: “the biggest shift in the history of energy efficiency policy in the UK since the oil crises”

Rosenow et al. 2013

HATE RISING ENERGY COSTS? GREEN DEAL WITH IT.

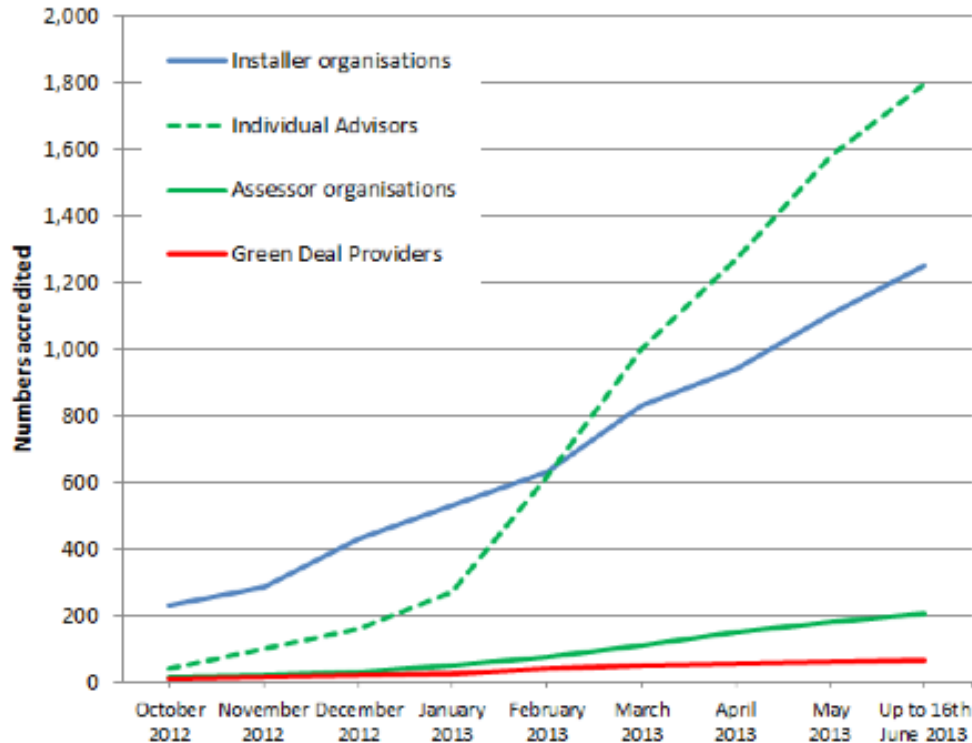
- launched Jan 2013
- upfront costs of efficiency measures repaid over time through charge on electricity bills (*‘pay-as-you-save’*)
- charge < energy savings (*‘Golden Rule’*)
- charge stays with property

- *quality assurance*: accreditation of assessors, installers and providers
- largely replaces utility-designated obligations (ratepayer-funded) i.e., efficiency improvements as private not public goods



Evaluation so far? The Green Deal has its supporters

...



- number of registered assessors, installers, providers steadily rising
- as of 16 June 2013:
 - 38,259 assessments
 - 245 GD plans generated
 - >6000 own-paid renovations

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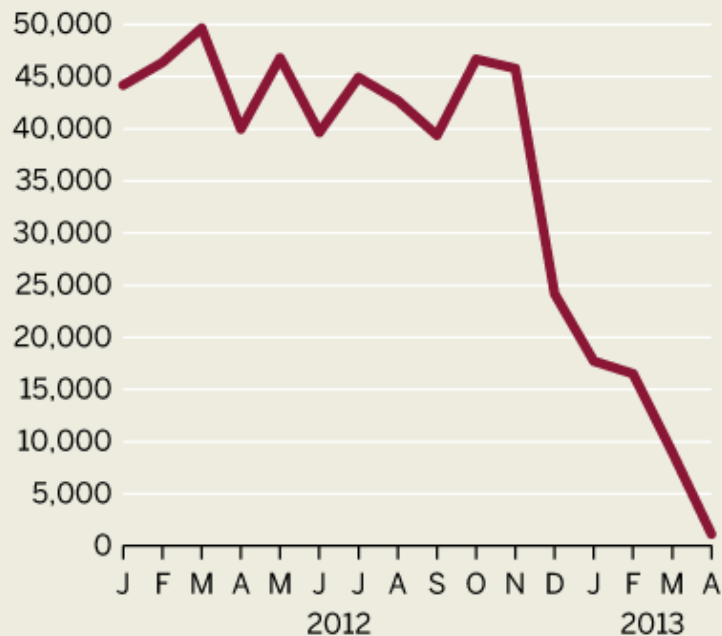
Green Deal assessments opening door to efficiency improvements

DECC: Domestic Green Deal and Energy Company Obligation in Great Britain, Monthly Report, 27 June 2013

Evaluation so far? The Green Deal has its supporters ... and its detractors

CAVITY WALL INSULATION GUARANTEES

Number of guarantees per month



Source: Cavity Insulation Guarantee Agency

Environment > Damian Carrington's blog

Green deal in danger of becoming a middle class subsidy

It's early days, but consumers appear to be swiping the introductory cashback while ignoring the loan deal at the heart of the UK government's flagship energy efficiency policy

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- number of registered assessors, installers, providers steadily rising
 - but high transition costs among efficiency providers
- as of 16 June 2013:
 - 38,259 assessments
 - but mostly zero cost
 - 245 GD plans generated
 - 0 GD plans live
 - >6000 own-paid renovations
 - >5000 with cash-back (£1.5m or ~£300 per boiler!)
- and downward revisions of estimated C savings

The Green Deal is designed to remove the *barriers* to efficiency improvements in the UK's housing stock



- homeowners have sufficient financial, environmental & comfort motivations, but ...
- upfront costs & access to capital
- uncertain property tenure
- concerns over contractor quality, reliability & trustworthiness
 - DECC 2011, Bell et al. 2011, Whitmarsh et al. 2011, etc.

Success of Green Deal linked to validity of ‘barriers’ framing of the problem (dominant in policy thinking) ...

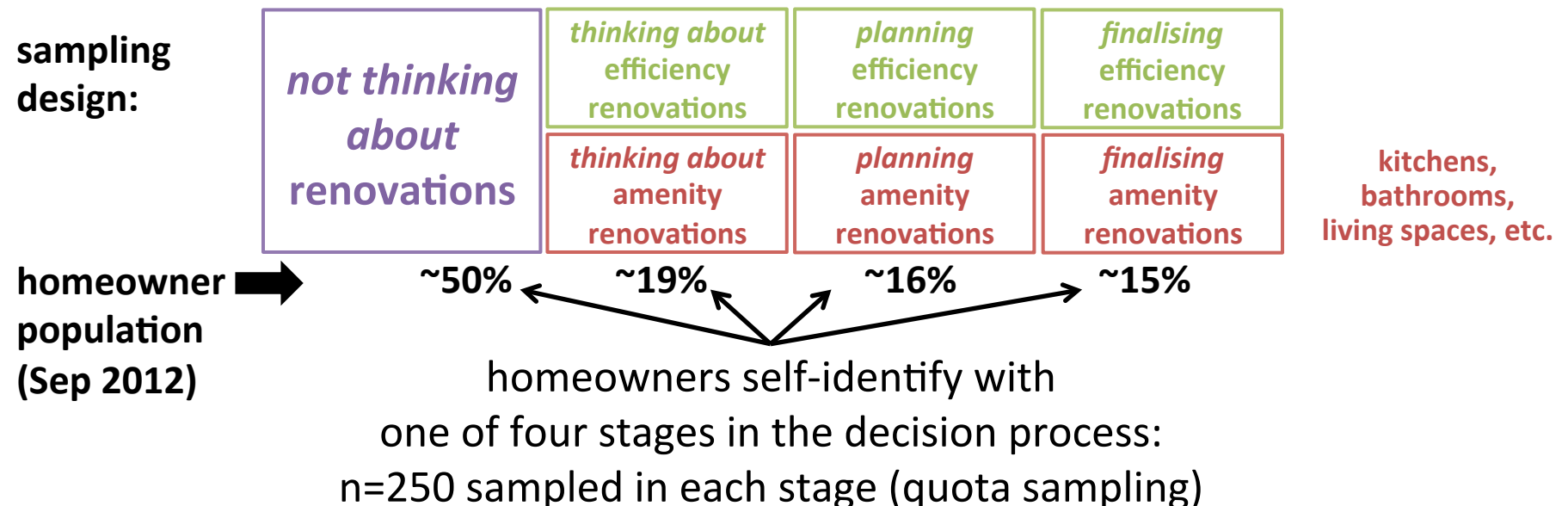
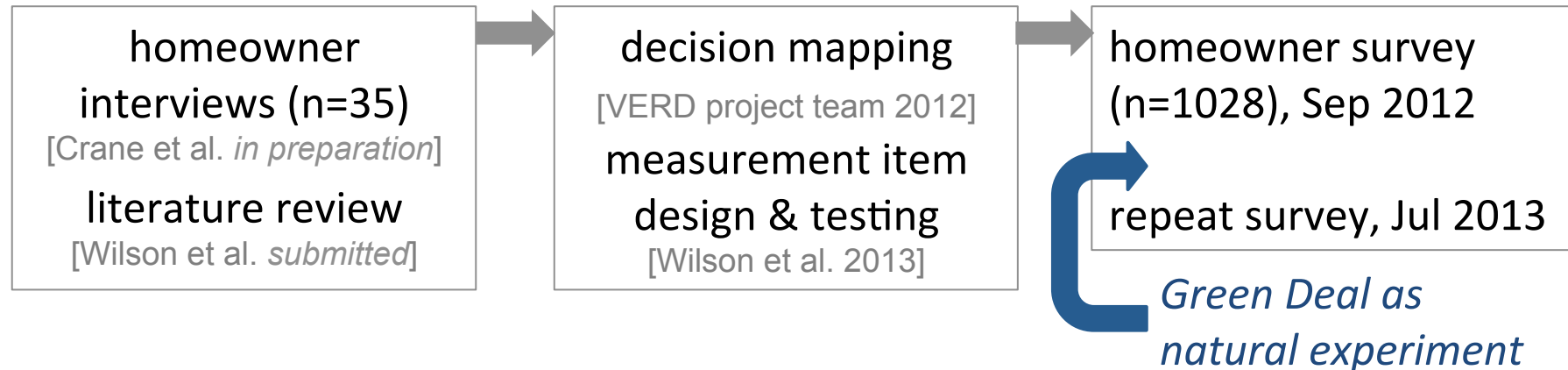
so, VERD project: (1) Why do homeowners decide to renovate?

and then: (2) What attracts renovating homeowners to efficiency?

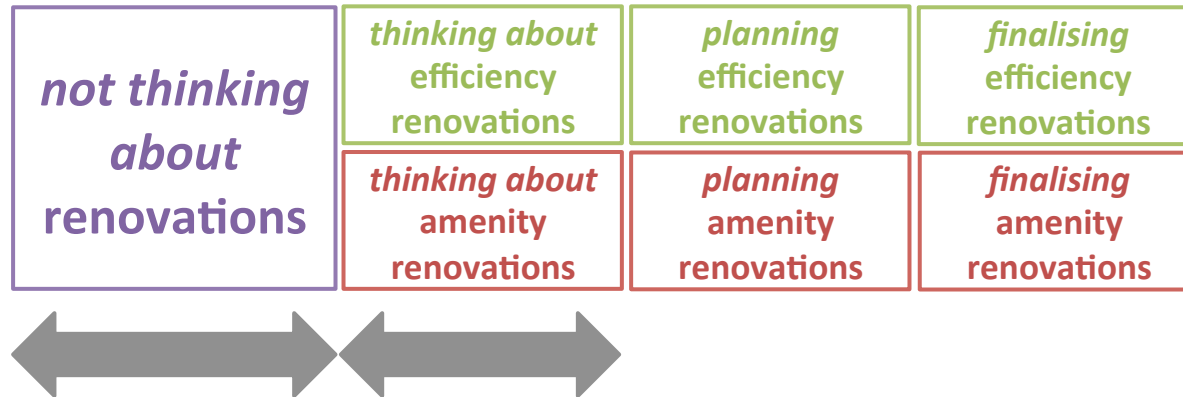
(1) Why do homeowners decide to renovate?

A mixed method approach to 'scale up' social theory research

[Pullinger et al. 2013]



(1) Why do homeowners decide to renovate? or: Differences between renovators & non-renovators?



tests of difference

Households are more likely to be considering renovations *if*:

- amenity** -> they find differences between their and others' homes unsettling p<.01
- amenity + children** -> they juggle competing commitments in arranging life at home p<.01
- efficiency** -> they face current or future issues with the physicality of living* *p<.01
- amenity** -> they see their home as a 'project' for self-expression p<.01
- amenity** -> they source ideas & inspiration from others' renovations p<.01

i.e., renovation decisions begin as an adaptive response to tensions or misalignments within the conditions of domestic life
[caveat: 1 in 3 renovations 'triggered' by exogenous events]

(2) What attracts renovating homeowners to efficiency? *Using choice experiments to test the Green Deal proposition*

Reinforcing what we already know about value propositions:

renovating homeowners are concerned (in rank order)
with (1) upfront costs,
then (2) finding a trustworthy and reliable contractor,
then (3) minimising disruption to domestic life.

Green Deal as substitute to conventional efficiency renovations:

efficiency renovators are twice as likely to consider Green Deal
(in principle only; few details on interest rate & repayment terms)

Green Deal as addition to conventional amenity renovations?

amenity renovators (>80% of all renovators) are more likely to extend
scope of renovation plans to include efficiency measures, using Green Deal

Reframing the Green Deal as a market transformation initiative: new opportunities (or, dislodging the big 6)

Renovation decisions rooted in domestic life (not barriers)
+ amenity renovations dominate market activity (not induced)
+ acceptability of 'piggybacking' efficiency using Green Deal
= *major new opportunities for amenity service providers*

Importance of familiarity, trust, credibility in counterparties
+ neighbourhood schemes as potential external 'triggers'
= *major new opportunities for local authorities*

but ongoing hard-to-induce homes ... (and market failures)

utility obligations (ECO) *e.g., low income areas*

incentives *e.g., (cashback), stamp duty? council tax?*

regulation *e.g., landlord obligation (consequential improvements)*

efficiency as
public vs.
private good