

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT ELECTRICITY AND GAS (ENERGY  
COMPANY OBLIGATION) ORDER 2022

*Monday 18 July 2022*

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**Friday 22 July 2022**

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**The Committee consisted of the following Members:**

*Chair:* MR VIRENDRA SHARMA

- |   |  |
|---|--|
| † Brown, Alan ( <i>Kilmarnock and Loudoun</i> ) (SNP)                         | † Russell-Moyle, Lloyd ( <i>Brighton, Kemptown</i> ) (Lab/Co-op) |
| † Butler, Rob ( <i>Aylesbury</i> ) (Con)                                      | † Stevenson, Jane ( <i>Wolverhampton North East</i> ) (Con)      |
| † Eastwood, Mark ( <i>Dewsbury</i> ) (Con)                                    | † Sultana, Zarah ( <i>Coventry South</i> ) (Lab)                 |
| † Evennett, Sir David ( <i>Bexleyheath and Crayford</i> ) (Con)               | † Syms, Sir Robert ( <i>Poole</i> ) (Con)                        |
| † Fletcher, Katherine ( <i>South Ribble</i> ) (Con)                           | † Twigg, Derek ( <i>Halton</i> ) (Lab)                           |
| † Hands, Greg ( <i>Minister for Energy, Clean Growth and Climate Change</i> ) | † Whitehead, Dr Alan ( <i>Southampton, Test</i> ) (Lab)          |
| † Johnston, David ( <i>Wantage</i> ) (Con)                                    | † Whitley, Mick ( <i>Birkenhead</i> ) (Lab)                      |
| † Jupp, Simon ( <i>East Devon</i> ) (Con)                                     | † Wright, Sir Jeremy ( <i>Kenilworth and Southam</i> ) (Con)     |
| † Morden, Jessica ( <i>Newport East</i> ) (Lab)                               | Abi Samuels, <i>Committee Clerk</i>                              |
|   | † <b>attended the Committee</b>                                  |

## Third Delegated Legislation Committee

Monday 18 July 2022

[MR VIRENDRA SHARMA *in the Chair*]

### Draft Electricity and Gas (Energy Company Obligation) Order 2022

6 pm

**The Chair:** Before we start, in view of the weather, Members are advised that they can take their jackets and ties off if they wish.

#### The Minister for Energy, Clean Growth and Climate Change (Greg Hands): I beg to move,

That the Committee has considered the draft Electricity and Gas (Energy Company Obligation) Order 2022.

It is a pleasure to serve under your chairmanship, Mr Sharma. This year, we have witnessed an extraordinary and global increase in the cost of energy. The Government recognise that millions of households across the UK need further support with the cost of living this year, which is why we announced additional support worth over £37 billion, including targeted help for those on the lowest incomes.

In that context, the energy company obligation, or ECO, scheme remains key to tackling fuel poverty and helping low-income households with their energy bills. In the sustainable warmth strategy 2021, the Government committed to extending, expanding and reforming the scheme in line with our statutory fuel poverty target. Since 2013, the ECO scheme has ensured much-needed support for low-income households to improve the energy efficiency of their homes. Over the last decade, since it began, it has delivered over 3.5 million energy efficiency and heating measures to around 2.4 million households.

The draft order provides for that expanded and reformed energy company obligation scheme in Great Britain until March 2026, and therefore succeeds the previous energy company obligation order in Great Britain. Its main provisions are, first, the scheme's extension by four years, to 2026, and expansion from around £640 million to around £1 billion per annum. Secondly, there is an increased focus on support for low income and vulnerable households in the least efficient homes. Thirdly, mandatory minimum energy efficiency improvements will be required. Under the scheme, those in energy performance certificate bands F and G—the least energy efficient homes—will be improved to a minimum band D. B and D and E homes, in turn, will be improved to a minimum band C.

Fourthly, the introduction of a new minimum requirement will see at least 150,000 energy performance certificate band E, F and G private-tenure homes upgraded. Fifthly, the solid wall minimum requirement will ensure that solid wall insulation is installed in at least 90,000 homes. The draft order introduces minimum insulation requirements for all homes receiving any heating measure, subject to certain exceptions, to encourage a fabric-first approach. Broken boiler replacements will continue to be limited but available under the scheme,

capped at 20,000 homes, to encourage the transition to renewable heating and align with the Government's long-term plan for reaching net zero.

**Alan Brown** (Kilmarnock and Loudoun) (SNP): I understand what the Minister says about capping the number of gas boiler replacements, which will transition us away from reliance on fossil fuels, but what happens if that cap is reached? How will costs and alternative solutions be managed for other customers who have broken-down gas boiler systems?

**Greg Hands:** If I understood the hon. Gentleman's question correctly, it is about dealing with people who have no choice but to have a new gas boiler, and what the cost of that might be. We recognise that some homes will not be suitable to be upgraded to something like a heat pump. That is one of the reasons that we are putting these measures in place: to ensure that funds are available to help those who need a boiler upgrade. However, we are saying that ensuring that that is available is not the priority of the Government going forward. The priority is to align with our net zero requirements and make sure that people can be upgraded to heat pumps wherever possible.

**Alan Brown:** What is to prevent companies taking the easy option of the gas boiler replacement to get up to the 20,000 threshold? I am trying to see what checks and measures are in place to make sure that gas boilers are installed only when they are really required and other options have been exhausted.

**Greg Hands:** It would be a matter for the supplier to make sure that the energy efficiency upgrade is carried out in accordance with the scheme and Government policy. It will ultimately be a matter for the supplier under the ECO4 regulations. The Government will of course speak with suppliers to ensure that they are delivering according to the Government requirements. What we are saying is that we are not encouraging gas boiler upgrades, but that if there is no other available source of heat and a consumer is vulnerable, there should be the possibility of upgrading the gas boiler.

The scheme's eligibility criteria are reformed, placing greater focus on households on the lowest incomes. Households in receipt of means-tested benefits will continue to be eligible. The proportion of a supplier's obligation that can be delivered under the flexible eligibility element of the scheme will increase to 50%. Under that, multiple options are introduced to encourage improved targeting of low-income and vulnerable households that may not be in receipt of benefits. Those flexible eligibility provisions will enable local authorities, energy suppliers, Citizens Advice and the NHS to work together to identify households vulnerable to the effects of living in a cold home.

A new scoring framework will apply to incentivise multiple measure delivery, along with a series of score uplifts to steer measures and delivery where they are needed most. Installation quality will be governed under the Government-endorsed TrustMark compliance and certification framework. As part of that, the quality of installations, alongside a whole assessment of the property,

will continue to rely on independent industry standards, the publicly available specifications PAS 2030 and PAS 2035.

The impacts will be as follows. Thanks to the reforms, we estimate that some 800,000 measures will be installed in around 450,000 homes. Of those 450,000 homes, around 360,000 will be upgraded to EPC bands B and C, removing those households from fuel poverty. We will continue the Government's excellent record of improving the energy efficiency of people's homes. The percentage of homes in Great Britain in energy efficiency bands A to C has risen under this Government from 10% to 46% of the total housing stock. That is a quadrupling of the number of homes in the most energy-efficient categories.

Those measures are expected to save £300 on average over the lifetime of the measures and up to £1,600 for those living in the least energy-efficient homes. However, those savings could average around £600 next winter, given future prices—or prices according to the futures market, I should say. That will provide crucial, long-term help when it is needed most this coming winter. To help deal with what might seem to be a gap between the ECO schemes—between the end of the ECO3 at the end of March this year and the start of the ECO4—the order permits measures installed since 1 April to count toward the suppliers' obligation target.

Those measures are split into two elements. First, there is interim delivery for measures installed between 1 April and 30 June—so over the last three months—to slightly amended ECO3 rules. Secondly, there is early delivery for measures installed to the new rules. Nearly 33,000 measures have already been installed since 1 April. The fact that there might appear to be an interregnum between the ECO3 and ECO4 schemes is no cause for concern. The 33,000 measures have been introduced in those three months will be accounted for either in the ECO3 scheme for the interim delivery or early delivery under ECO4 in that seamless process.

The Government held a consultation on the reforms last summer and published a response in April. The majority of consultation responses supported extending and expanding the scheme as well as the proposals for reform. Government are proceeding with the main proposals, with some key changes in the light of the response received and the final impact assessment. One change is that we have increased the minimum requirement for bands E, F and G from 100,000 to 150,000 private tenure homes.

More of the least energy-efficient properties must be upgraded, focusing more help on those with the highest energy bills. We are providing extra incentives for the installation of measures in rural off gas grid areas in Scotland and Wales, which will be of particular interest to Members representing rural parts of Scotland and Wales. Wales has the largest percentage of homes off the gas grid, and that is the subject of frequent questions to the Department for Business, Energy and Industrial Strategy from my hon. Friends the Members for Brecon and Radnorshire (Fay Jones) and for Montgomeryshire (Craig Williams). They are specific measures in place to help rural homes that are off the gas grid in Scotland and Wales.

England has the separate home upgrade grant, so is covered by an existing scheme. That will account for the extra costs of delivery.

**Alan Brown** rose—

**Greg Hands:** I know that the hon. Member for Kilmarnock and Loudoun, on behalf of every person in rural Scotland, is about to stand up and welcome the extension for rural homes off the gas grid in Scotland.

**Alan Brown:** I welcome the uplift and the recognition that Scotland and Wales have more homes off the gas grid. How does that impact on the overall budget allocated to Scotland and Wales? By their very nature, they have a greater need, which is recognised. Has the overall budget envelope increased for Scotland and Wales, or is it still done on a per capita basis?

**Greg Hands:** The scheme is Great Britain-wide. One of the key responses from the consultation was to ensure that, wherever possible, the rules across Great Britain are made the same. Exceptionally, Northern Ireland has its own electricity market. On the extra incentives for the installation of measures in rural areas off the gas grid, I will find out for the hon. Gentleman if there is a specific budget allocation—*[Interruption.]* There is no specific budget allocation set per nation. He will see that the policy is designed to help. We recognise that rural Scotland and Wales are off the gas grid and not eligible for the home upgrade grant—there ought to be devolved equivalents in Scotland and Wales for that. That is why we have taken the action that we have.

The repair of efficient or inefficient oil and liquefied petroleum gas heating systems will be allowed as a last resort in homes that are off gas grid and where it is not possible to install low-carbon heating measures. That will help to ensure that people are not left without a functioning heating system.

The energy company obligation scheme remains important to support low income and vulnerable households to improve the energy efficiency of their homes and help reduce the energy bills of an estimated 450,000 households. The Government can take great pride that we are providing real help and energy efficiency measures for low-income and vulnerable households, as we have for the last nine years and will for the next four. The order extends and expands the scheme, focusing on the lowest-income households living in the least energy efficient homes. The scheme remains a key contributor to meeting our fuel poverty and carbon reduction goals and is consistent with the heat and buildings strategy and the transition to net zero. I commend the draft order to the Committee.

6.14 pm

**Dr Alan Whitehead** (Southampton, Test) (Lab): It is a pleasure to serve under your chairmanship, Mr Sharma. The first thing to say in response to the Minister's excellent setting out of the provisions of ECO4 is that it is a good scheme. We welcome a number of elements of it, which expand and in many instances are different from ECO3. Above all, we welcome the fact that it is finally on the table today. I see that the order will apply from tomorrow, so it will finally be in place, and I will come back to that problem in a moment.

We certainly welcome the fact that ECO4 sets out increased collaboration with local authorities and other social housing providers, and the increased flex to 50%, which is a slow but sure move towards recognising that

[Dr Alan Whitehead]

local authorities can play a central role in energy efficiency, retrofit and upgrade in properties. That will enable a lot more collaboration on the private sector between local authorities, social housing providers and ECO providers.

We certainly welcome the proposal to ensure that the most poorly rated homes—those in E, F and G—are now among the priorities for treatment, and we welcome the fact that putting them up two bands is on the table in ECO4. We welcome the increased budget from £640 million for ECO3 to £1 billion for ECO4. I have to say, however, that as welcome as that increase is, two aspects ought at least to give Members pause. The main one is that the budget increase will effectively be borne by bill payers, as we see clearly from the impact assessment. If I read it in its entirety, it sounds a bit strange. It says:

“The impacts of the policy shown above are not expected to be shared equally across society, with obligated suppliers expected to incur most of the costs presented in Error! Reference source not found. Error! Reference source not found.”

I do not know what that refers to. It goes on:

“ECO4 has a spend envelope of £1 billion per year, rising with inflation, until March 2026. Suppliers are in turn assumed to recoup the costs they incur from meeting their obligation from their gas and electricity customers.”

It is clear that the money for the increased budget will come from energy bill payers. What is not in the impact assessment, however, unlike some other impact assessments, is what that represents in terms of bills; my calculation is that it roughly represents a £4 increase on bills over the period. I would welcome the Minister’s view on whether I have that about right, or whether that is more or less than it should be. That fact is that it will go to bill payers. We ought to think about whether that is an appropriate way to do such things, particularly as we have such sky-high bills at the moment, and will have for probably the whole period during which ECO4 will exist.

Our view is that an ECO4 scheme should have been substantially better funded than even the £1 billion, given the work that is ahead of us, and also that the difference between what there was in ECO3 and what there will be in ECO4 ought to be taxpayer-funded, not funded by bill payers in general. We also ought to be clear that, welcome though a number of the measures are, they will in fact be only a pinprick on the overall problem in this country with energy efficiency, energy uprates and retrofitted properties. One example of that is the—albeit welcome—carved-out slice in ECO4; that is, the 10% set aside for solid-wall housing, with 90,000 treatments to be undertaken over the course of ECO4. In the country as a whole, we have 7.8 million solid-wall homes, virtually all of which need to be substantially uprated in terms of energy efficiency and as a priority, because they are, by and large, in the lowest energy efficiency categories in the country.

**Lloyd Russell-Moyle** (Brighton, Kemptown) (Lab/Co-op): I have many such properties in my constituency. It looks like beautiful Regency grandeur from the outside, but it is poor-quality housing on the inside, which is cold, damp and miserable for many of the tenants, who do not even have direct electricity or gas suppliers, but rather have secondary energy suppliers via their landlords. Does my hon. Friend agree that these measures are far too small in their application and that the Government

need to adopt a street-by-street strategy, whereby they assess every house along every street, and develop an individual plan for energy efficiency for each of those houses? Without that, these measures will just deliver nice things and not the ambition that we need.

**Dr Whitehead:** My hon. Friend is absolutely right. Indeed, I was going to finish talking about what we would like to see by saying something along more or less precisely those lines. In the long term, we need to adopt a wholesale, locally organised and locally run, street-by-street and house-by-house arrangement, rather than what has happened with the ECO schemes in the past and still now, whereby individual houses are picked out by individual suppliers and are treated. That wholesale treatment, which my hon. Friend has rightly described, is still nowhere in view for these schemes.

My hon. Friend will know from his experience of solid-wall homes in his constituency that they are expensive to treat and need whole-house treatment. Indeed, that is reflected in the estimates for this ECO scheme. He will also be concerned to know that, in general terms, if the 90,000 treatments are discharged according to the calculations in the scheme, then we will reduce the number of homes that are outstanding for treatment by the huge proportion of 1.8%. That is to say that 97% of solid-wall homes across the country have not been treated, so 95% will still remain untreated at the end of the ECO4 period. This is a good scheme in its own lights, but it woefully falls short of what we need over the next period for serious retrofit in this country.

But my question, and what I take issue with, is this. Why are we sitting here on 18 July, passing into law—as I hope we will—the rules for a scheme that started on 1 April? Anybody with any experience of these sorts of things will know that it is a rather good idea to have the rules in place before a scheme starts. In this instance—despite what the Minister said about some of the “shutting the stable door” measures retrospectively undertaken in the interim, when ECO4 was not in place—suppliers and contractors have not known what they would be remunerated for, what they would not be remunerated for, or what risks their companies were taking in undertaking actions.

A lot of suppliers, particularly smaller contractors, have simply downed tools on measures to be carried out under ECO3 or ECO4, with an estimated 50,000 measures that could otherwise have been undertaken being lost over the period. For small contractors and suppliers, having to do all that work at their own risk, without knowing what the rules would be, or whether or when they would get their money back, was not something that they could stand.

That question was put to me by a number of suppliers some while ago, when ECO4 was still in development. As a result, I asked the Government a number of written questions about what would happen. Would there be a smooth transition and would the rules for the scheme be out in time? I must say, the answers I got were systematically evasive—and, as it turns out, systematically wrong. In answer to a question that I tabled on 25 November, the Government said:

“The current scheme ends in March 2022, followed by a successor scheme (ECO4). The publication of the government response to the ECO4 consultation is planned before the current scheme ends”.

That was wrong; it came out after the scheme ended.

I asked the Minister whether he would ensure that there was no gap between ECO3 and the start of ECO4 in April 2022. The Government's response was that

"the Government consulted on extending the Energy Company Obligation...Scheme from 2022-26. The Government will issue a response in due course. ECO4 will commence once the Government has sought parliamentary approval. The Government will endeavour to ensure that there is a smooth transition between the end of ECO3 and the start of ECO4."

Getting rather desperate, in May 2022—two months after the scheme was supposed to have started—I asked when the Government would lay the rules for the scheme to work. The answer was:

"The Government is working quickly to lay regulations."

We now know that "quickly" means two months, because that is where we are now.

Of course, the Government were unfortunately rather clear with me about what would happen to suppliers who had undertaken work between the end of ECO3 and the start of ECO4 in the hope that they might get some sort of recompense for it. The answer was:

"The Government does not fund or reimburse suppliers to meet their obligations under the Energy Company Obligation. ECO is a supplier obligation, and it is up to suppliers how they dispense their obligation and recoup costs from energy bills."

It is up to suppliers, when they do not even know the rules on whether they can get that recompense in the first place.

Finally, very late in the day, on 15 June, I asked why the Government had still not published the rules to implement the energy company obligation. The final answer was:

"The Government expects to lay regulations for ECO4 this month",

meaning in June. Here we are, on 18 July, looking at those regulations.

Right down the line, the Government have got it wrong on what they said the progress on this was, and got it fundamentally wrong on the elementary task of ensuring that rules are in place before a scheme starts. That has made a real difference to retrofitting in this country, and it is a real difference that I fundamentally deplore.

It should have been within the competence of the Government to organise these rules in such a way that the scheme could progress reasonably fairly and seamlessly, and if they could not do so, it should have been within their competence to tell people why it was not happening and what the reasons were for it. None of those things has happened.

We have heard, I am afraid, a rather Panglossian version of these events from the Minister this afternoon, who says that, yes, people can get recompense now for work they have undertaken; it will score. However, they did not know that at the time because the rules were not there.

It has been a shambles. I hope the Minister will be able to say this afternoon that he is sorry for this shambles, and perhaps also explain—because I have been unable to get an explanation so far—why it has been such a shambles, why the rules are so late and why, as a result, the scheme was hampered in the way that it

was. Finally, perhaps he could solemnly promise that this will never happen again in any schemes that he is involved with in future.

6.29 pm

**Alan Brown:** It is a pleasure to serve under your chairmanship, Mr Sharma. Like the shadow Minister, the hon. Member for Southampton, Test, I broadly welcome ECO4. With that welcome however, and as is my wont, I do have a few "buts". Picking up on the shadow Minister's theme, what has been the reason for the delay in the Government in bringing this forward? They knew years in advance that ECO3 was going to finish. The design of the ECO4 scheme was welcomed by industry, so why was it not brought forward quicker?

Paragraph 3.1 of the explanatory memorandum confirms how critical the timeframe now is: the instrument comes into force the day after it is made. That shows that it is a good job that there are not going to be any votes forced that could cause further delay. However, what discussions did the Minister have with retail energy companies about the impact on supply chains of the delay of ECO4 and paired regulations coming forward? It was absolutely critical that legislation come in pre-recess—that is now being done—but my understanding is that supply chains and the ability of companies to place orders were starting to be impacted. Hopefully the Minister can address that.

Looking ahead at the ECO4 period, what are the Government doing to ensure that companies fulfil their renewable obligation payments? At a previous Business, Energy and Industrial Strategy Committee evidence session about retail energy companies starting to collapse, the Secretary of State said that it is known that some companies go bust when their renewable obligations levies were due to be paid. Since that tacit admission that the Government accepted that some companies would default in their RO payments, what has been done to ensure that that does not happen and that the payments are protected, and will the Minister respond to calls for the payments to be more regular so that the money comes forward?

Can the Minister advise what the value of the RO defaults for ECO3 was, and how many homes missed out as a consequence? On that basis, have the Government made any allowances for defaults in ECO4, and how will that be managed if companies go bust owing to the renewable obligations? What discussions has he had with the Treasury about match funding the welcome £1 billion commitment from ECO4? Industry and charities have been saying that now is the time for greater investment. If the Treasury match funded the £1 billion, think how much more could be done over the next period. Has the Minister considered that, or had any discussions with the Treasury on that basis?

The impact assessment gives a net present social value of £810 million. For business net present value, there is a huge negative figure of minus £3.8 billion. Can the Minister explain how that negative NPV came about? If it is to do with the benefits from the scheme, that would justify further investing more money. Paragraph 36 of the impact assessment states that 1.2 million "eligible private tenure homes" that are rated E, F or G in their energy performance certification will be eligible for the scheme. Given that paragraph 7.6, as the Minister

[Alan Brown]

confirmed, committed to 150,000 homes to be upgraded, what is the plan for the remaining 1 million-plus homes that will be left with an E, F or G rating in their energy performance certification?

The Government's overall target is for all homes to be EPC band C by 2030, yet homes can be exempted where it is not practical, cost-effective or affordable. What does that exemption mean in real terms? That was something else the Secretary of State could not justify to me. How that exemption is assessed and monitored is critical to how many homes are ultimately upgraded to EPC band C.

Paragraph 3.2 of the explanatory notes confirms that energy suppliers have until March 2026 to deliver the outcomes, so obviously this is a four-year programme. What steps will be taken to ensure and assess that the programmes are on track right through that period? What steps will be taken to ensure that companies are not allowed to back end and therefore risk missing the 2026 deadlines for delivery?

Paragraph 7.2 of the explanatory notes states that:

"Market failures...are known to reduce the take up of cost-effective energy efficiency measures."

I have to say, it is not market failure that has had an impact, but the Government's failed policies. We had the failure of the green deal scheme, which included the Home Energy and Lifestyle Management Systems mis-selling scandal. When will the Department for Business, Energy and Industrial Strategy resolve the appeals backlog for the HELMS green deal mis-selling scandal? Why are more green deal plans not being cancelled outright? In recent times, we have had the failure of the green homes improvement voucher scheme. While we welcome ECO4, there need to be more rounded, coherent Government policies to go along with that. The UK Government should treat energy efficiency as a national infrastructure project, in the way the Scottish Government do.

While we welcome the increase in the budget to £1 billion, paragraph 7.4 of the explanatory memorandum confirms that that is based on 2021 prices. What recent assessment has been made of the impact of current inflation on that? We know that it is more difficult to get materials; the costs of materials have increased as well as labour costs. What assessment has been made of the validity of the £1 billion now and the impact that inflation is having on that?

I would like to put on the record that I welcome the confirmation in paragraph 7.5 about disability benefits eligibility and the fact that households in receipt of such benefits will still be eligible for upgrades in ECO4.

Paragraph 7.13 rules out biofuels. Can the Minister clarify why we would rule out biofuels? They could provide a useful transition between outright fossil fuel and getting to complete renewable energies. I cannot really get my head around that, so hopefully the Minister can explain it.

As I said in my intervention, I welcome the uplift for off-gas grid homes in Scotland and Wales. However, again, I would press the Minister on the fact that that needs to feed through in budgets and considerations in the wider spending envelope. Paragraph 7.24 also sets out an innovation uplift, which again is welcome. What measures will be put in place to assess the long-term

performance of any measures installed that are deemed to be innovative? By virtue of the very term "innovation", that will refer to technology that does not have a long, proven track record. What will be done to ensure that those new measures installed under the innovation uplift actually do what is required in the long term?

Paragraph 7.24 also highlights building fabric issues such as dampness, cracks and different faults that can be remedied and repaired. What will be done to ensure that it is not an easy uplift measure for companies to take advantage of? What will be done to ensure that it does not let private and social landlords off the hook in their responsibilities regarding the upkeep of the fabric of the buildings?

Paragraph 7.26 talks about incentivising delivery on time, but what does that look like? Does "on time" mean for the entire programme, for a sub-programme or for individual measures that are installed?

Turning back to the impact assessment, paragraph 49 states that the modelling is based on the English housing survey. What has been done to get a more representative understanding of the housing stock right across the UK, instead of trying just to extrapolate from an English survey of houses?

The shadow Minister asked about the impact on bills. From reading paragraph 94 of the impact assessment, it seems to me that the impact will be £37 per annum on dual fuel customers to pay for ECO4. Is that correct? How sustainable is it for bill payers to pay £37 with bills continuing to increase without putting more people into fuel poverty?

On the measures to address solid walls, I say to the Minister that we need to work with industry to find a solution for solid-wall homes, tenements and flats in the likes of Glasgow and Edinburgh, because they are particularly difficult to upgrade. That really needs a whole-building approach, or, as was suggested in an earlier intervention, a street by street approach. We really need to look at that and look to the future to be able to address these.

It is getting more difficult now to upgrade houses cost-effectively because the low-hanging fruit, as it were, has already been picked. What work has been done to identify the overall cost of upgrading the remaining stock? What work has been done to have a real forward look-ahead to meet the 2030 target?

I am sure everybody will be delighted that I am now going to sit down—and wipe the sweat from my face as well.

6.40 pm

**Greg Hands:** This has been a good-natured and well-informed debate. I did not hear any opposition to the scheme, so I welcome the support of the Opposition parties for what the Government are doing. I will try to answer as many questions as I can. The hon. Member for Southampton, Test asked why the obligation is set low, but I disagree that it is set low. A £640 million scheme increased to a £1 billion scheme is a 56% increase—quite an ambitious increase.

The hon. Member for Kilmarnock and Loudoun tried to pick holes and asked about inflation. Well, I have news for him: inflation is not anywhere close to 56%. I remember back in the 1970s that it did get into the high



teens and to 20%, but we are not anywhere close to that, thankfully. He asked whether the scheme should be more ambitious. I remind him that ECO is only part of the help available. We have other Government schemes designed to improve the energy efficiency of homes, which is why this Government have such an excellent record on that.

I have to correct what I said earlier. I said that, in 2010, 10% of homes were rated A to C on energy efficiency. I checked my own notes, and it is not 10%, but 14%, so I may have been doing the last Labour Government a slight disservice. It is not, I am afraid to say, a quadrupling of the number of homes well rated under energy efficiency; it is in fact only a tripling, so I apologise. Perhaps I have been giving too much praise for the Government, but I none the less think that a tripling in the last 12 years is a record to be proud of.

The hon. Member for Kilmarnock and Loudoun is right that ECO adds to bills, but those who benefit will of course get reduced bills for many decades, which it is important to understand. It is not a simple redistribution from non-vulnerable bill payers to other bill payers. It assists vulnerable bill payers in energy-inefficient homes to get their homes to be energy-efficient, thereby saving them a considerable amount of resources over many years. We are also providing direct help with the £400 energy bills support scheme and other measures introduced by the Treasury this year.

I am glad the hon. Member for Southampton, Test praised the co-operation with the private sector, housing associations, the NHS and local authorities. It is a whole-of-Government effort to improve the energy efficiency of our homes. He said there was an estimated £4 on bills a month, but the hon. Member for Kilmarnock and Loudoun was correct: the estimate is £37 per annum—about £3 a month. I have said that it is not the only scheme available. We have £6.6 billion deployed over the course of this Parliament on energy efficiency schemes, including the £450 million boiler upgrade scheme, the social housing decarbonisation fund, the home upgrade grant, which I have already mentioned, and the public sector decarbonisation scheme, as well as the VAT reductions announced by the previous Chancellor earlier this year.

**Lloyd Russell-Moyle:** Is not part of the problem the myriad schemes that the Minister has outlined? For the normal person in the street, who lives in a shared house where part of it is owned by a person in poverty, another part is owned by someone else and another part is rented, it becomes so difficult for people to match these schemes up and get them in line at the right time, particularly when the Government do not issue guidelines on how the money should be spent for months on end. Is it not better for the Minister to go away and think of a universal scheme to start to tackle those problems, rather than this piecemeal effect?

**Greg Hands:** The hon. Member raises an important point, but an energy consumer does not have to have an encyclopaedic knowledge of the available schemes. The important thing is that the Government provide that assistance, in some cases via energy suppliers, local authorities or social housing providers. If he wants to write to me to suggest which schemes he might seek to abolish in favour of putting it all in one scheme, I would happily receive such a representation.

The hon. Member for Southampton, Test said the solid wall insulation minimal requirement should be higher. ECO4 will focus on the least energy-efficient properties and, as I mentioned earlier, we have introduced a requirement for a minimum of 150,000 band E, F and G private tenure homes to be treated. Most of those will be solid-walled homes and we estimate that around 75% of total scheme spending will go towards improving them to band D or better. We believe the current solid wall minimum strikes the right balance between giving certainty to the supply chain and giving them the flexibility to treat homes in the most important way. The hon. Member for Brighton, Kemptown sought a street-by-street approach—an area-based scheme. We expect area-based schemes to happen as installers involved in ECO also deliver under the home upgrade grant, the social housing decarbonisation fund and the local authority delivery scheme. We already know of installers planning to work in that way.

The hon. Member for Southampton, Test asked why the scheme was delayed. It is worth stating that ECO4 is the most significant reform since the scheme began nine years ago. We have had to ensure that it is fit for purpose until March 2026—it is important to get that right. This has presented new challenges in policy design, modelling and legal drafting. As I have already mentioned, however, nearly 33,000 measures have been installed since 1 April and registered with TrustMark. We expect that number to rise by several thousand because, obviously, there is a time lag between installation and registration. That is not a bad rate. This is a scheme of 450,000 households over four years, so that is roughly 110,000 per annum, so the fact that in three months, 33,000 measures have been installed shows there has been no discernible impact on delivery from the change from ECO3 to ECO4.

The hon. Member read us a long chronology of parliamentary questions and the different points he has made. I will never forget in my first year in Parliament when I asked a point of order to the Speaker. I read out a long chronology relating to a then Labour Minister, who had failed to provide an answer. The then Speaker—the glorious late Michael Martin—replied to me with just one word, “Persevere.” That was all he said to me. I will not urge the hon. Member to persevere. I say to him that at the end of that long chronology, he was not actually able to demonstrate that there had been any deficiency, that anybody had been damaged or that any measures had not been delivered as a result of ECO4 coming in three months after the scheduled end of ECO3. We covered it due to the extension of ECO3 and the bringing forward of measures in ECO4. That has been solved, and the hon. Member should join us in celebrating those 33,000 measures that have been installed just in the last three months.

Moreover, by allowing suppliers to overdeliver against their ECO3 targets—referred to as carryover—at least 40,000 extra measures were delivered earlier than they otherwise would have been. We have engaged with energy suppliers, and the hon. Member for Kilmarnock and Loudoun asked about the supply chain.

**Dr Whitehead:** If the Minister thought all along that because of all the various issues and complexities of this particular scheme, it would take longer than originally anticipated and there would be a gap in schemes, why

[*Dr Whitehead*]

did he not say so at the time? Why did he give me a series of replies to my questions, which said anything but that being the case?

**Greg Hands:** Sometimes, when we are making a reform, it is not always obvious where that reform process will lead. Let us bear in mind that there was a big consultation and we wanted to hear from suppliers and consumer groups, so we obviously wanted to look closely at the responses to the consultation. I have already mentioned the consultation in response to the point of the hon. Member for Kilmarnock and Loudoun; we want a GB-wide scheme. It was right and proper to wait for the responses to the consultation before laying out our reform measures.

**Katherine Fletcher** (South Ribble) (Con): I promise to be brief. Part of the technical consultation that the Minister has alluded to for solid walls is really important. Is there a major gain in preventing the latent heat of evaporation by putting a PVA coating on the outside of walls? Do we have to lose space from inside homes that may already be small to provide initial internal insulation? Does he agree that it was important to take time to ensure that the industry and different providers could work out how to get the most bang for their buck to move it forward?

**Dr Whitehead:** But we always knew that.

**Greg Hands:** I am not sure whether the hon. Gentleman is making an intervention on my hon. Friend's intervention, but my hon. Friend makes a good point about the strong measures that we are taking on solid wall insulation, which are important to get right—the most important thing. I do not think that anybody could point to any damage that has been caused by this; we have continued to deliver a huge number of measures in those three months. We should look at the new scheme and welcome the additional measures that we are taking to help vulnerable households.

The hon. Member for Kilmarnock and Loudoun asked about the solar process; it is a matter for Ofgem to ensure that ECO is protected in that. Obligations are calculated annually and suppliers must fulfil their obligation. Any supplier that went bust would lose the obligation. So far, only very small—or relatively small—suppliers have gone bust. The larger suppliers have continued to fulfil their obligation under ECO3.

The hon. Gentleman also asked about discussions with the Treasury. As you will know, Mr Sharma, it is always difficult to disclose matters relating to a discussion with the Treasury, so I will pass on that.

The hon. Gentleman asked about the negative NPV of £3.8 million; I will have to write to him on the exact details of that. On the 1 million homes that would be left in bands E, F and G after these schemes, we recognise that this scheme will not improve every home in the country. To help with that effort, we have additional schemes in place that I have already mentioned. Of course, some homes will not be able to be upgraded to band C or above, or it would not be cost-efficient to do so, but hopefully that will be a very small number.

**Alan Brown:** The Minister spoke about solar and how the renewables obligation will be protected. Does he know how the renewables obligation will work for Bulb Energy, which is obviously in a special administration regime but still supplying a large number of customers? Will it be eligible to pay RO and will that just be an additional burden that is picked up with the administration costs?

**Greg Hands:** The hon. Gentleman asks a reasonable question. Obviously, that will be a matter for the Bulb Energy administrators. I am happy to write to him with more detail on how they might look at that in terms of ECO4.

**Dr Whitehead:** There are two separate administrators.

**Greg Hands:** Of course, there are separate administrators for different parts of the company. I am happy to write to the hon. Member for Kilmarnock and Loudoun about how the administrators might approach that issue in relation to ECO4.

The hon. Gentleman asks about the back end and risk delivery, which has not happened before with ECO1, 2 and 3. Obviously, however, Ofgem monitors that closely to make sure that there is no risk of suppliers back-ending their obligations. To the best of my knowledge, we have not had that problem in the previous three schemes.

On a budget by nations, I think I am right in saying that Scotland, along with the north of England, has benefited the most of the nations or regions of the United Kingdom from the previous ECO1, 2 and 3 schemes. It has very much been, to date, a scheme where disproportionately Scotland and the north of England have benefited. I know that the hon. Member likes to create grievances here on behalf of Scotland. He is even having a pre-emptive grievance. The scheme has not even started and he is already ratcheting up the grievance policy. I have to say that from my experience of the previous ECO1, 2 and 3 schemes, Scotland has been very well served, as has the north of England. I think we should continue to celebrate that. The hon. Member asked about a biofuels exclusion. There is competition for biofuels, and they may be better used elsewhere, but we also do not want to maintain low-income homes on volatile fuels wherever possible.

The Government recognise that millions of households across the UK may need further support with the cost of living and the extraordinary increase in the cost of energy, which we have witnessed this year. That is why the Government have announced additional support this year worth over £37 billion, including targeted support for those on the lowest incomes. The Government remain committed to helping low-income, vulnerable households to reduce their fuel bills and heat their homes. Improving the energy efficiency of our homes is the best long-term solution to achieve this. Tackling fuel poverty is an essential for our transition to net zero. That is why we are spending £6.6 billion over the course of this Parliament and expanding the previous ECO3 system into a much larger ECO4 scheme, targeted particularly at the more vulnerable and those living in the least energy-efficient homes.

The Government have an excellent record in improving the energy efficiency of homes in this country—from 14%, the level we inherited from the last Government, to 46% today. That still means that 54% of homes in the United Kingdom are rated below band C for energy efficiency. That does not give any cause for complacency. I think we can see with the action taken by this Government that we have improved the energy efficiency of homes gradually and considerably over the last 12 years, and we will continue to do so with ECO4. Therefore, I commend this draft order to the Committee.

*Question put and agreed to.*

*Resolved,*

That the Committee has considered the Draft Electricity and Gas (Energy Company Obligation) Order 2022.

6.57 pm

*Committee rose.*

