

Current activities of the Energy Savings Trust, UK

Report to the Australian Greenhouse Office
and the National Appliance and Energy Efficiency Committee

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1 Introduction

The Energy Saving Trust (www.est.co.uk) is a quasi governmental non-profit organisation funded by the UK government and, to a lesser extent, the private sector.

It was established in 1992 following the Earth Summit in Rio de Janeiro to stimulate energy efficiency in the UK domestic sector thereby reducing CO₂ emissions and addressing various social issues such as fuel poverty. It is not a statutory body and has no regulatory powers. The EST works alongside the Carbon Trust (www.thecarbontrust.co.uk) which has a similar brief but works with business and the non-residential sector. The two trusts work together on some projects.

EST's strategy has a number of components including: disseminating information, developing energy efficiency marketing strategies, commissioning research, bringing together stakeholders and giving grants and loans for a variety of projects. More recently it has expanded its brief and is now also accrediting green electricity suppliers, working to create a market for clean fuelled vehicles and promoting combined heat and power.

Its annual work plans are approved by the Department for Environment, Food and Rural Affairs (DEFRA, formerly DETR, www.defra.gov.uk), for domestic energy efficiency activities and by the Department of Transport, Local Government and the Regions (DTLR, www.dtlr.gov.uk) for its transport activities.

This report gives a brief outline of EST's current activities and its likely role over the next five years.

2 Funding

The EST is principally funded by DEFRA. In the year 2000-2001 it spent just under £25 million on its activities - around 1 pound for each UK household. This money leveraged a further £82 million from other sources so that just over £100 million was spent on EST activities. The EST has also been given an additional £20-30 million over the next two years to develop its "community heating" (combined heat and power) program and £90 million up to 2004 to develop its transport programs.

The EST has also had a large role to play in designing and managing energy efficiency programs running under the Energy Efficiency Standards of Performance Scheme (EESoP). Although money raised by this scheme is not technically owned by the trust it has had an important role to play in how it is spent. EESoPs is explained in further detail below.

3 EESoPs and EEC

Since 1994, the government has required all electricity suppliers to spend a notional £1-1.20 per year per residential and small business customer on energy efficiency projects. This scheme was known as the Energy Efficiency Standards of Performance or EESoP. EESoPs are regulated by the Office of Gas and Electricity Markets (OFGEM, www.ofgem.gov.uk).

Under the first two phases of this scheme, up to April 2000, the electricity suppliers spent around £144 million on energy efficiency projects resulting in an annual carbon saving of 220,000 tonnes (0.8 Mt CO₂-e).

In 2000 the Utilities Act was passed in which the requirements for a third EESoP were laid out. This third EESoP runs till March 2002. Importantly, EESoP 3 also included a requirement for gas (as well as electricity) suppliers to fund energy efficiency projects and raised the money to be spent per customer per year to £1.20.

The Utilities Act also provided for a fourth round of EESoP, to be renamed the “Energy Efficiency Commitment”, or EEC, to run from 1 April 2002 until 31 March 2005. The EEC is different to the EESoPs that have gone before in that the gas and electricity suppliers are no longer required to spend a certain amount of money per customer. Rather they are required to achieve an energy savings target.

The aggregate level of savings from the EEC as a whole is decided by the government and is set at 64 TWh. The individual targets for each energy supplier are decided by the regulator, OFGEM and are based on the size of the suppliers' customer base. Suppliers with less than 15,000 customers are not obliged to reach energy saving targets under the scheme and savings targets are adjusted so that bigger suppliers will have to save proportionally more per customer¹.

It is up to the supplier how much money they spend to achieve their targets however, the government recommends that it should not be more than £3.60 per customer per fuel per year. The supplier can choose to absorb this cost or pass it on to their customers. Government estimates that the new arrangement will increase spending from around £50 million per year under EESoP 3 to £150 million per year under the EEC.

The EEC will potentially deliver a substantial increase in funding for energy efficient projects. Indeed, the government's Climate Change Program identifies the EEC as the single largest contributor to reducing emissions in the domestic sector, delivering savings of 0.4-0.5 Mt C/year by 2005 (1.45-1.83 Mt CO₂-e). All programs will be evaluated by OFGEM to ensure that they are achieving the savings claimed.

It is a requirement that 50 % of the savings must come from the so called ‘priority group’. This means lower income consumers who are in receipt of a designated state benefit. This fits with the governments avowed intent to eradicate fuel poverty by 2010. However, there are criticisms of the scheme in this respect. It is felt that because the sole criterion for success is the achievement of energy savings rather than affordable warmth, it may be that only those schemes which deliver maximum savings at the cheapest price will be undertaken. Difficult cases such as providing adequate insulation for solid walled houses may be bypassed. This could mean that the poorest, who tend to live in such properties, will only be able to claim subsidised

¹ This is done in the recognition that smaller suppliers will have proportionally greater overheads and costs to meet than their larger counterparts. As such, the adjusted savings target ensures that larger suppliers do not have an unfair competitive advantage in meeting their savings obligations.

appliances and energy saving light bulbs through EEC. Evidently, such a situation would not address fuel poverty.

Should suppliers exceed their savings targets it is proposed that they will be able to trade their excess as carbon credits in an emissions trading market. This carbon market is still being developed and the trading rules are not yet finalised. It is proposed to begin operation in 2002.

4 The EEC and EST

Under EESoPs 1 to 3, EST actively devised, managed and evaluated projects on behalf of the suppliers. It is considered that its success in this was one of the critical reasons why the government decided to extend and expand the scheme. However, under the EEC, suppliers are increasingly expected to devise and implement their own programs. Although suppliers can still use third parties to design and run programs, the EST is backing away from this role.

The Energy Savings Trust will take more of a “facilitation” role in how EEC funds are spent. On this subject, the annual report 2000-2001 states, “...through the course of the (coming) year the trust will work with a wide spectrum of stakeholders including government, the regulator, the energy supply industry, energy service providers, local authorities and consumer groups to achieve a smooth transition to the new program. A key aim will be to ensure that the programs funded by the EEC avoid duplication with other energy efficiency initiatives and are clearly focussed on their target groups in order to achieve maximum benefit”.

What this means is that the EST will use its “partnership for homes” network (of all stakeholders involved) to advise on the coordination of programs and to prime the market through the marketing of efficiency and dispensing information. However, there seems to be a failing in the system here. As the annual report mentions, there are now a number of domestic energy efficiency programs all potentially targeting the same group (lower income consumers in receipt of state benefits) - EEC, Home Energy Efficiency Scheme (HEES, now called “Warm Front”), Home Energy Conservation Act (HECA) and others. It seems that no statutory body has been created to coordinate all these programs. EST, with its 52 Energy Advice Centres and partnership for homes network has the framework which would allow it to do this but it has not been officially charged with the task. It seems to have fallen to the EST to do it by default. However, without statutory powers, the EST may not be in a position nor have any obligation to resolve any conflicts that arise.

5 EST’s General Approach

The EST’s business plan for 2001-2004 states:

“Over the period 2001-2004 the trusts role will continue to evolve from a grant-administering organisation into that of a facilitator and provider of infrastructure for promoting and marketing energy efficiency and sustainable transport. Through its expertise in developing partnerships, in promoting and marketing energy efficiency and alternative vehicle fuels and through its relationship with suppliers and industry, the Trust offers a unique means of moving towards the governments energy efficiency and carbon saving goals in the domestic and small business sectors”.

Evidently the “enabling” approach being deployed for EEC is now the EST’s dominant way of doing things in other areas of its remit. EST now actively manages only two programs as a remnant of the EESoPs days – “Fridge Savers” and the “Energy Efficiency Exchange” – see EEC funded programs below. It is also seemingly moving away from its grant giving role although it still does give a fair range of grants.

The bulk of its efforts are now focused on raising awareness of energy efficiency, building “infrastructure” and directing stakeholders to the available grants and services.

Building “infrastructure” means evaluating the supply chain for efficient products, identifying barriers to the spread of efficient technology and then attempting to remove those barriers through information, training and influencing policy. An example is the spread of efficient condensing boilers. EST began by offering rebates and managed to increase the number of condensing boilers sold annually in the UK to around 100,000 units per year. When the subsidy was discontinued, sales levelled off. This is largely attributed to installer conservatism and the structure of the plumbing industry. To build “infrastructure” for this product the EST is now adopting a new tack and funding the training and accrediting of heating installers – see “Warmth” below.

With this new information dissemination and marketing focus EST has reorganised its organisational structure around “audiences”. These are as follows:

- Householders and individual consumers
- Government and opinion formers
- Local authorities
- Housing managers
- Energy suppliers
- Trade: installed measures
- Trade: purchased measures
- Small businesses and organisations
- Vehicle fleet operators
- Vehicle supply chain
- Vehicle fuel suppliers

Each audience has a strategy devised for it. In this way each audience gets a coherent message from EST and has a single point of contact. Prior to this it was found that some of the intended audience, such as local authority officers, were meeting with different sets of representatives from EST to discuss different aspects of the EST’s activities.

More detailed discussion of the intended activities and strategy for each of these audiences can be found in the business plan 2001-2004 (www.est.co.uk/pdf/business_plan_f.pdf), however the basic strategy elements remain the same: information, advice, training, accreditation, marketing, bringing stakeholders together and a steadily decreasing emphasis on managing actual programs or giving grants (for some areas).

6 Current activities

6.1 “Energy efficiency” branding and awareness raising

This program aims to increase sales of energy efficient products and services (www.saveenergy.co.uk). The program has a logo running alongside a national advertising campaign.



According to the EST the logo “.....is increasingly used by retailers in their marketing” and awareness of energy efficiency as a product attribute appears to be steadily growing. How much of this is due to ESTs efforts and how much to other European and UK government efforts is not known. Efficient products are registered on a database available on-line. A booklet is also available.

6.2 Energy efficiency partnership for homes

This brings together 170 organisations with an interest in delivering energy efficiency – industry, public and non-profit organisations. EST co-ordinates and facilitates the efforts of all the different partners, providing secretariat and planning support. It is through this network that EST intends to facilitate the EEC scheme. Partners can log into their own website, share information etc. Thus far the partnership has contributed to government policy making, agreed which categories of product should be included in the energy efficiency branding scheme and produced guidelines on standards for energy advice and energy efficient heating systems.

6.3 Energy efficiency advice centres

EST have set up 52 energy efficiency advice centres (EEACs) across the UK. Their brief is to give free, impartial advice to householders and small businesses on all aspects of energy efficiency round the home. More recently EEAC staff are being trained in giving advice on domestic renewable technologies such as photovoltaic arrays and solar water heaters. The EST have also decided to appoint dedicated staff for local authorities in three EEACS.

6.4 “Warmth”

The idea of this is to establish a network of accredited energy efficient installers (glaziers, plumbers, insulation trade). Customers will then be referred to members of the network from the EEACs. Funding for this has been approved from March 2001 to April 2004. There is also a pilot scheme underway to establish how to accredit renewable energy installers.

6.5 EEC funded programs

The trust retains two programs which it is running on behalf of suppliers – The Energy Efficiency Exchange and Fridge Savers. Both programs are concerned with getting inefficient refrigerators and fridge freezers out of the stock and their

replacement with efficient models. Fridge savers is particularly targeted at low income groups. It is not clear if these projects will be funded beyond 2002.

6.6 Energy services

The EST has been involved in trying to set up “energy services” since 1996. Energy services are defined as a package of measures delivering heat, light and power rather than simply units of energy. For example Energy Service Companies (ESCOs) may include the following elements in an energy services package: energy supply, heat and electricity from CHP, energy efficiency advice/measures and finance. The EST have been giving grants and support to local authorities and other organisations who wish to set up energy services. However, under the EEC, suppliers will now be responsible for giving grants. The EST will retain its support role – bringing together funding and scheme developers and giving guidance.

6.7 Community energy

The government has provided £50 million over the next two years for the refurbishment of existing, and the installation of new, community heating schemes. This is available to local authorities, social landlords or other public organisations. This project is jointly managed by the EST and the Carbon Trust.

6.8 CHP

The trust operates a support and advice service for local authorities who are considering installation of combined heat and power systems. Grants of up to £10,000 are available to develop schemes (rather than pay for a capital works).

6.9 Lightswitch

Lightswitch (www.lightswitch.co.uk) offers rebates to small businesses of up to £6,000 for the installation of lighting controls and for the purchase of energy efficient lighting products.

6.10 SchoolEnergy

SchoolEnergy (www.schoolenergy.org.uk) has a number of components: energy audit of the premises, energy management plan, inclusion of energy efficiency in the curriculum, education materials and grants for measures.

6.11 HECAAction

Under the Home Energy Conservation Act (1995), Local Authorities are required to reduce the energy use of all domestic housing within their boundaries by 30% by 2010 (www.nfdc.gov.uk/heca/index.html). HECAAction is a competitive funding program helping local authorities (LAs) to set up energy efficiency initiatives to achieve their HECA obligations. 2000/2001 was the sixth and final year of the HECAAction programme. Over the six years, 227 schemes have received funding totalling £25 million. Now that the HECAAction program is over the EST’s role seems to be confined to helping LAs through the Energy Efficiency Advice Centres and through a dedicated website (www.practicalhelp.org.uk). This includes an interactive website which directs LAs to appropriate grants and loans (www.practicalhelp.org.uk/find/fund_simple.htm).

6.12 Transport action

Transport action has two sub-programs – Powershift and Cleanup. Together these programs have received £90 million funding till 2004. Powershift aims to transform the market for clean fuelled vehicles². It does this by lobbying fuel suppliers for more refuelling points, raising awareness and giving grants to reduce purchase or conversion costs. Cleanup offers advice and grants of up to 75% of the cost of fitting vehicles with emissions reduction equipment. Cleanup also runs demonstration programs to validate and compare equipment in real life settings.

6.13 “Future Energy”

Future Energy is an accreditation scheme for renewable energy. It vets and audits renewable energy offerings from electricity suppliers. The idea is that this will allow consumers to be confident about electricity supplier's claims about renewable energy.

6.14 “Planet York”

EST and is working with the local council and the local press in a northern English city, York, to make it a model for sustainable energy use. The project began in 2001 and will last one year. The intention is to boost energy efficiency, get distributed renewables into homes and businesses, transform markets for clean fuelled cars and efficient appliances, raise awareness generally and create jobs.

6.15 Research activities

EST is commissioning research on behalf of DEFRA and the Dept of Health to assess the impact of the Governments’ HEES program on quality of life and health.

EST is commissioning Friend of the Earth, Scotland to research the viability of home sellers packs. These are energy audits of domestic properties that are available to house buyers.

6.16 Loans

Interest free loans for between £2,000-£25,000 pounds are available for small businesses in Scotland and Northern Ireland to “promote energy efficiency”.

7 Conclusions

The seems to be a general consensus that EST is doing a reasonably good job with limited resources but that its role is poorly defined. Without statutory powers and having relinquished its direct management of EESoP funded projects it is left only with the marketing, promotion and facilitation role. Some feel that the EST also needs to have a greater capacity for rigorous analysis or, failing that, the ongoing practical experience of managing projects. This may work to the detriment of its long term credibility and standing.

The role of the EST in coordinating the various grants, loans and schemes is also poorly defined. It has the capacity to do this but has not been officially charged to do so. Conflicts are already looming whereby Suppliers want their EEC funded projects to be clearly identified as their own initiatives rather than as part of a national EST effort. As such there are concerns that suppliers will use their EEC spending to get

² “Clean” fuels include: electricity, liquefied petroleum gas, natural gas and, in the future, hydrogen fuel cells.

competitive advantage. Without the checks and balance provided by a strong EST doing more than just “facilitating” this may well happen.

The government has implicitly recognised the coordination issue and established a pilot program called Warm Zones (www.warmzones.co.uk). This program will explore whether all the various English fuel poverty schemes can be co-ordinated, enhanced, and made more efficient in terms of delivery. To date, Warm Zones have been established in five “pathfinder” areas with a varied mix of authority type and demographic make-up. Each of the five Warm Zones is sponsored and, to some extent, funded by an energy supplier.

It remains to be seen if the pilots are a success and the Warm Zone organisation takes over management of coordination of the schemes on a national basis. If so, turf wars with EST are bound to result. There already seems to be friction between the two organisations. For instance, the Warm Zones response to the governments fuel poverty strategy has the following, “Those wishing to assess and apply the experience of the numerous EST-managed programmes to relieve fuel poverty are faced with difficulties in obtaining reliable, comprehensive and genuinely objective information. This also applies to information on current EEC schemes. Such information that is available from EST, e.g. the grants database, must be searched according to criteria which do not lend themselves easily to an integrated, area approach. Nor is the database comprehensive or easy to use”.

In February 2002, the Governments’ Performance and Innovation Unit produced a major review of UK energy policy (www.piu.gov.uk/2002/energy/report/). This report is likely to be extremely influential in shaping UK energy policy over the short and medium term. The report places a large emphasis on the role of energy efficiency and renewables (but leaves the nuclear option open). As such it seems that the EST’s future is reasonably secure in the short term. It also recommends the creation of a Sustainable Energy Policy Unit which will conduct cross-departmental research. This recognises the all encompassing nature of energy on trade, environment, security etc. In the same vein some feel that the EST would be more appropriately joined with the Carbon Trust and that the new entity should have statutory powers, overseeing and regulating market transformation processes. This could happen within the next five years.

Finally, despite EST claiming huge energy savings over the years, UK household electricity consumption is steadily rising whilst gas use remains static. Perhaps EST, as the self proclaimed, “lead organisation on energy efficiency in Britain”, needs to get radical.