



Department
of Energy &
Climate Change

The Rt Hon Gregory Barker MP
Minister of State

Department of Energy & Climate Change
3 Whitehall Place
London
SW1A 2AW

www.decc.gov.uk

Paul King
UK Green Building Council
The Building Centre
26 Store Street
London,
WC1E 7BT

2 July 2013

Dear Paul,

Re: Ensuring success for the Green Deal and the retrofit agenda

Thank you for your letter dated 26 June, concerning the retrofit agenda. I appreciate that you have taken the time to write in with these useful suggestions. I welcome your views on this issue and recognise the scale of the challenges we face but also share the belief that retrofitting the nation's homes and businesses presents a vast economic opportunity; as well as cutting emissions and keeping our citizens warm and healthy.

Structural Incentives and Interest Rates

It was good to receive your suggestions on long term structural incentives and the interest rates. As I am sure you are aware, we are operating against a backdrop of budget cuts across government, hence further government subsidies to interest rates or otherwise are unlikely to be possible in the short-term. With the pressure to close the deficit, and a desire to reduce complexity, even revenue neutral mechanisms are difficult, but you are right to keep the discussion going. Regulation needs to be carefully balanced but, as you say, does have a place, and the Government is working with industry to develop minimum energy performance standards for the private rented sector. Overall, with the Green Deal, our aim is to establish a self-sustaining market mechanism - that will grow to meet demand without the need for the heavy subsidies that previous initiatives were based upon.

I agree a low interest rate is desirable – but for a scheme to be market driven, it must also be commercially viable – which means interest rates, set by the market, that realistically reflect risk. However, interest rates must also be low enough to give consumers the confidence to invest in energy efficiency measures, and we believe the rate offered by The Green Deal Finance Company (6.96%) is low enough to do so. The Green Deal makes finance accessible to over 80% of consumers, many of whom would not be able to borrow unsecured credit at anywhere near this level of interest. I would also challenge anyone to find a comparable twenty-five year unsecured loan at such a low rate – particularly one so widely accessible.

Stakeholder Engagement

I very much agree with the need to engage with industry stakeholders as constructively as possible and am pleased to let you know my Department is working with the Oversight and Registration Body (ORB) to establish a new Green Deal Provider Forum. This Forum will look at ways the Government can better work with those in the industry to increase demand, remove barriers and ensure that all parties can work together to shape the future direction of policy. We will be announcing more details on this new group and how it will engage with Ministers in the coming weeks. However I would greatly welcome your input in advance and appreciate you sending me a list of suggestions for membership. I should also mention we have had positive discussions with a senior industry figure who has offered to play a strategic role in leading the group.

We committed to look at the idea of a hub. I understand that the Director of EEDO, David Purdy, has discussed this with the Buildings Working Group under the Green Construction Board. Whilst DECC has moved away from grant funding bodies like the Energy Efficiency Partnership for Homes, there may be value in senior level industry discussions covering the long term development of the energy efficiency installation sector in response to carbon budgets. The group could raise key issues with me and relevant Ministers across the Government. This will need to be distinct from existing groups focussed on Green Deal and I would ask you to continue working with David on the proposition.

While I cannot speak for all parties, I know that those within the Coalition are committed to improving the housing stock on a massive scale – to meet our emissions targets and give people the homes they deserve with bills they can afford. I would hope that all the main parties have the same goals in this regard and we will seek to work together on these issues wherever possible.

Countries around the world are looking to the UK and closely following our efforts to implement innovative, market-driven solutions to energy efficiency. In this sense, we are world leaders; making it even more vital we work together at home to ensure our policies deliver.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gregory Barker', with a stylized flourish at the end.

GREGORY BARKER