



Department  
of Energy &  
Climate Change

# Overcoming barriers to financing non-domestic retrofit

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# What is the problem?

Little non domestic energy efficiency potential?

Little available finance?

Lack of funding models and approaches?

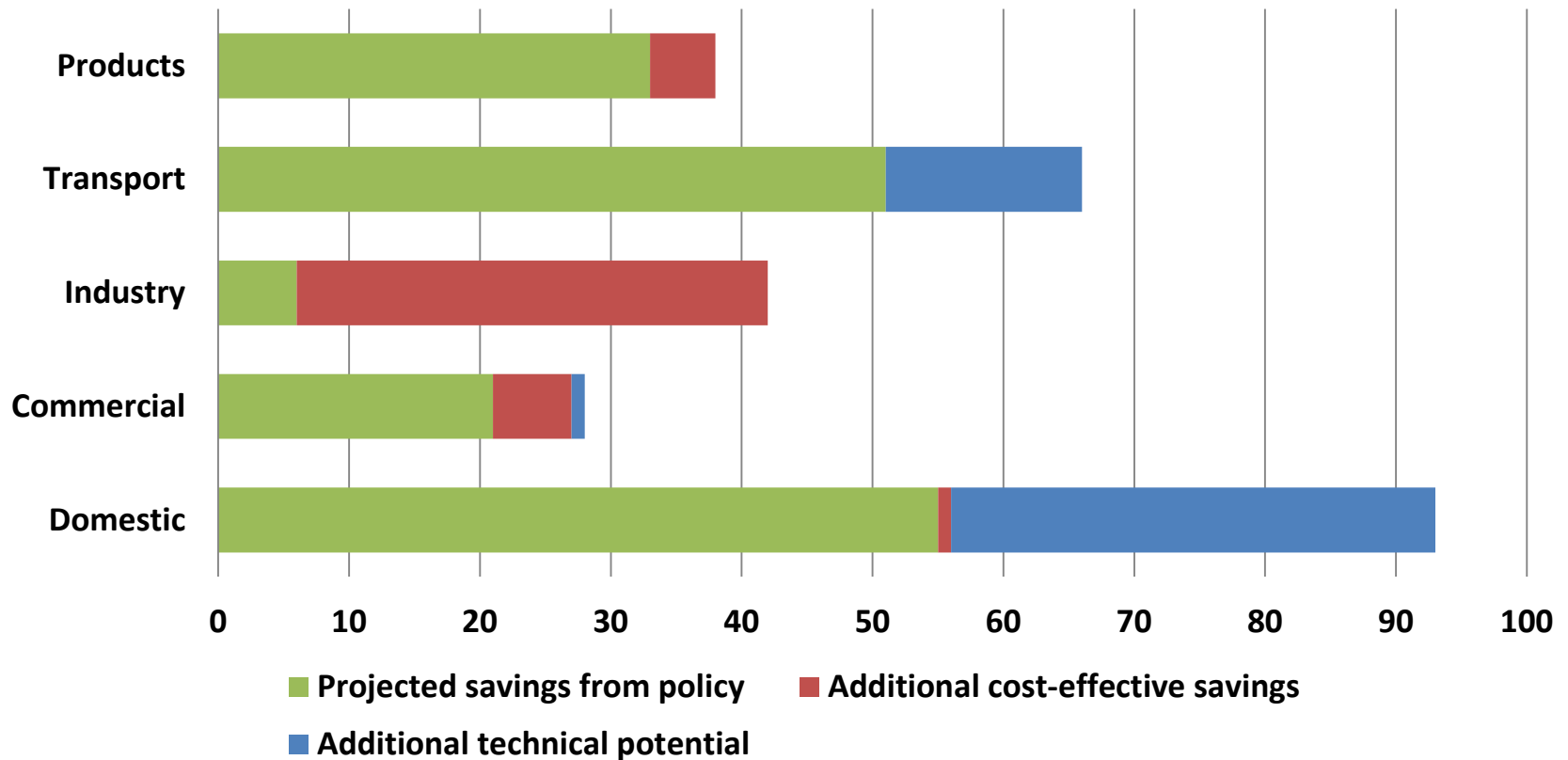
## NO, NO, NO

There are challenges and gaps though...



# What is the potential?

- DECC's 2012 Energy Efficiency MACC identified 196 TWh of socially cost effective potential. Much of the potential not already captured by policy is in the industrial and commercial sectors.



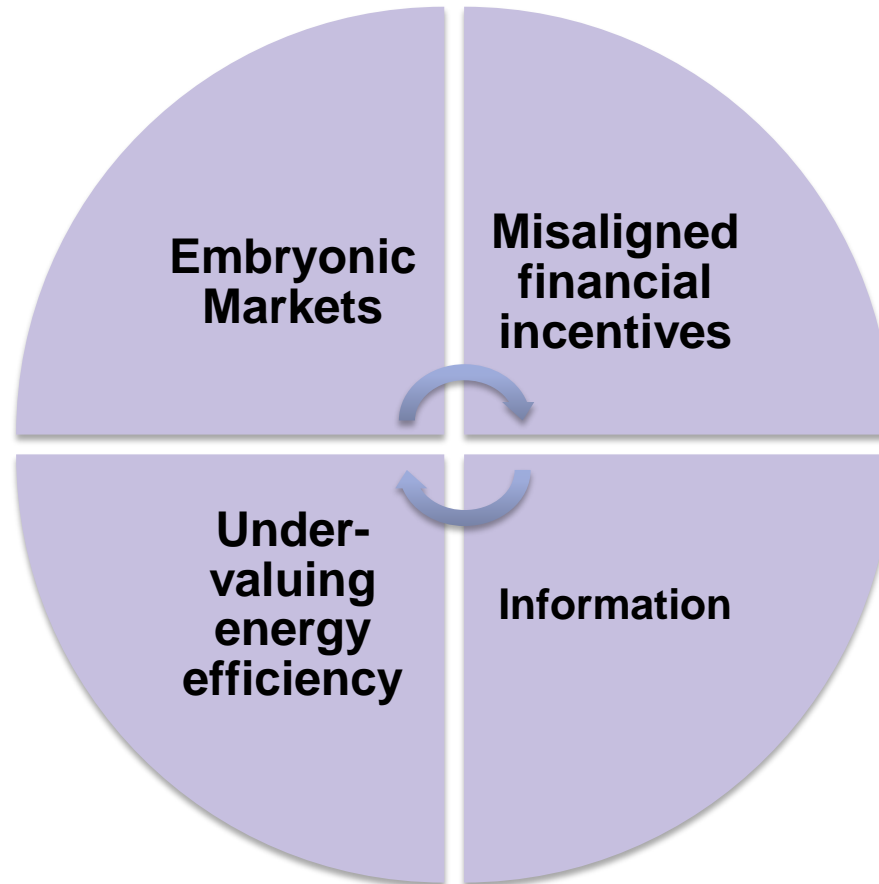


# What are the models?

- Self-finance
- Bank finance
- ESCOs
- Energy Performance Contracting
- Vendor financing
- Government-backed finance
- Grants



# Barriers to energy efficiency





# Barriers to financing energy efficiency

- Timescale and complexity of procurement process
- Trusting the business case for energy efficiency improvements
- Lack of standardised Energy Performance Contracts leads to higher transaction costs and reduces trust;
- Lack of trusted tools to calculate savings makes it harder for energy performance contractors to assess investment risk
- Difficult to get insurance wraps for ESCOs
  
- Expectation of short paybacks
- Confidence in the business longevity/ability to continue to pay.



# Financing initiatives from DECC

- Additional £90m for public sector interest-free loan scheme (including Salix)
- England-wide rollout of RE:FIT procurement framework
- Guide to financing energy efficiency in the public sector
- DECC will develop:
  - model Energy Performance Contract
  - contract guidance notes
  - a Best Practice guide



# PRS Energy Efficiency Regulations

- Consultation on energy efficiency regulations for the domestic and non-domestic private rented sector (PRS) ran Jul – Sep 2014
- Proposals will mean that:
  - From April 2016, domestic tenants will have **a right to request consent to energy efficiency improvements that may not be unreasonably refused** by their landlord. Measures requested must not entail an upfront cost to the landlord
  - From April 2018, **PRS properties below an E EPC rating will be prohibited from let until they are improved.** Landlord will need to improve their property to at least an E EPC rating, or have installed those improvements that could be funded through available subsidies and/or Green Deal finance
- Consultation explored a range of issues, including: properties and leases in scope, exemptions, the manner of introduction, enforcement, the penalty regime and trajectory (whereby the minimum standard is increased over time)
- Government considering views and evidence received before issuing its response





# Conclusion

- Much to suggest the market for non-dom retrofit will grow
- Too simple to suggest supply or demand problems
- Confidence is key



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Thank you