



HOUSEHOLD ENERGY MANAGEMENT STRATEGY

The Government has announced its Household Energy Management Strategy addressing some of the challenges to be tackled in ensuring an increased take up of energy efficiency and renewable energy in private homes.

clear that the Feed in Tariffs will be assignable, meaning that a third party could put up the funds and recover the “loan” and a return from the Feed in Tariffs.

However, it is not as simple as that. A loan

We have considered and advised on how the funding of renewable micro generation projects could best be made to work with the assignment of the feed in tariffs. The options considered included registering a charge against the property or a local land charge if the loan were being made by a local authority.

“The Government has recognised and sought to address the problem for householders”

Last month we published two bulletins concentrating on the proposals for the introduction of feed in tariffs for micro generators:

[Click here](#) for our ‘Feed In Tariffs’ bulletin and [click here](#) for our ‘Local Authorities Can Help to Tackle Emissions From Homes’ bulletin.

The Feed in Tariffs will provide a boost to the take up of small scale generation by homeowners, businesses and communities. However, the Government response to the consultation published on 1 February 2010 left some difficult questions unanswered, not least of which was how the up-front cost of the installation of micro generation equipment was to be funded. Few householders, or indeed businesses in the current economic times, have cash available to invest. Helpfully, the Government made it

to a householder or business is personal to that person or business and when the property on which the equipment is installed is sold the loan will remain with the original owner. This is unattractive to both the owner and to the lender.

The Government has recognised and sought to address the problem for householders. Today (2 March 2010) the Government has published its strategy for homes, entitled Warm Homes Greener Homes: A strategy for household energy management, which can be found at <http://www.decc.gov.uk/Default.aspx>



The strategy sets out details of two funding mechanisms: a new obligation on energy companies, and so called “Green Finance”.

From 2012, energy companies will be placed under a new obligation to save a fixed amount of carbon with potential penalties of up to 10% of global turnover for failure to achieve this. This obligation is expected to deliver 2/3 of the financing, primarily for insulation, with no additional impact on fuel bills. The proposals will be consulted upon and it is expected that the social housing sector will take advantage of this.

A new form of ‘Green Finance’ will be based on the Pay as You Save model. The Government expects this to provide approximately 1/3 of the financing for major insulation and partially to fund upfront payments for any energy saving eco-upgrade, including generation equipment. The loan will be repaid from the energy savings (“Pay as You Save”) or Feed in Tariffs.

Significantly, the strategy announces that a loan granted for insulation or the installation of micro generation equipment will attach to the house and not to the person taking the loan. This requires legislation which will not be introduced until after the general election. The National Housing Federation and energy suppliers have welcomed the proposals. Sadly, the delay in the Government recognising and addressing the problem is likely to reduce the impact of the Feed in Tariffs when they become available from 1 April 2010.

The financing proposals address some of the immediate issues but there are other issues and, as always, the ‘devil is in the detail’. Issues to be grappled with include:

- what happens if there are no energy savings or they are less than anticipated, and
- how is the security for the loan to be subordinated to any mortgage and what about further advances/remortgages.

In a difficult housing market it is hard to see that another pre-existing charge on a property will make a sale any easier. Any lender will need to carry out due diligence in relation to the valuation of the house and will want to be assured that the green finance cannot be increased to a level that puts repayment of their loan at risk.

The strategy also sets out the Government’s ambition to put local authorities closer to the heart of delivering carbon savings and, eventually, to be responsible for saving carbon from homes in their area. We will discuss this further in a future bulletin.

This bulletin summarises complicated issues and should not be relied upon in relation to specific matters. You are advised to take legal advice on particular problems and we will be happy to assist.

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