

Energy Company Obligation

The **Energy Company Obligation** (ECO) is a British Government programme. It is designed to offset emissions created by energy company power stations. The first obligation period ran from January 2013 to 31 March 2015. The second obligation period, known as ECO2, ran from 1 April 2015 to 31 March 2017. The third obligation period, known as ECO3, ran from 3 December 2018 until 31 March 2022. The fourth iteration, ECO4, commenced on 1 April 2022 and will run until 31 March 2026.

The Government obligates the larger energy suppliers to help lower-income households improve their energy efficiency.^{[1][2]}

ECO is the replacement of two previous schemes, the Carbon Emission Reduction Target (CERT) and the Community Energy Saving Programme (CESP).^[3] It has been announced that the programme will be replaced in 2017 by a less extensive version.^[1]

The programme focused on heating, in particular improving insulation.^[2]

Ofgem has been appointed the scheme administrator on behalf of the Department for Energy Security & Net Zero.

How does ECO work?

The ECO scheme works by placing an obligation on large and medium energy suppliers in England, Scotland and Wales to provide energy-saving measures for households deemed to live in fuel poverty. Suppliers are allocated based on their overall share of the domestic gas and electricity market.

The range of measures available through the scheme include heating upgrades, solar panels, wall and roof insulation. The provision of these measures is supposedly designed to help vulnerable families reduce their energy bills. The scheme is also seen as a way of helping the government reach its net zero target by 2050.

Free Boiler Grants Under the ECO Scheme

The Free Boiler Grants (<https://freeboilergrants.org/>) are also schemes in place to help homeowners upgrade their boilers to more energy-efficient models. These schemes often targeted low-income households or those living in certain regions. Funding might be provided to cover all of the costs of a new boiler installation. The program is sponsored by energy companies with the goal of minimizing carbon emissions and addressing fuel poverty. It offers financial aid for energy-efficient home upgrades. A key objective of the Free Boiler Grants initiative is to offer eligible households complimentary boiler grants.

Fortunately, modern boilers boasting an 'A' rating can achieve efficiency levels of over 90%, resulting in less than 10p wastage. By upgrading from your outdated and inefficient boiler to a new one with an 'A' rating, you could potentially save up to £300 annually. Just think about the possibilities for that extra money!

One of the most straightforward ways to cut down on your energy costs is to secure a Free Boiler Grant and implement loft insulation. These uncomplicated steps can significantly contribute to lowering your overall energy expenditures.

ECO3 target reached

Ofgem's ECO3 final determination report provides details on the overall performance of the scheme and conclusions regarding of energy suppliers' achievement against their obligations. The overall target for all participant suppliers was an estimated lifetime bill savings of £8.253 billion. The ECO3 final report confirms that this target was exceeded, with a total estimated lifetime bill savings of £8.457 billion achieved.

The other highlights of the findings were as follows:

- "All but one active supplier successfully met their HHCRO obligation and sub-obligation lifetime bill saving targets.
- 1.03 million energy saving measures were installed over the course of ECO3. This included:
 - Broken down or energy inefficient boilers being replaced in 251,741 households with energy efficient condensing boilers or low carbon heating alternatives
 - Cavity wall insulation installed in 152,938 households
 - Underfloor insulation installed in 133,173 households
 - Loft insulation installed in 88,588 households
- It is estimated that measures installed since the first ECO scheme was introduced in 2013 will provide lifetime carbon savings of around 58.2 MtCO₂e. This is equivalent to the amount of carbon absorbed by 264 million mature trees over 10 years."^[4]

ECO4

The latest iteration of the Energy Company Obligation (ECO4) began on 27th July 2022 and will run until 31st March 2026. ECO4 focusses on improving the least energy efficient properties and targets homes with an energy rating between D and G. It also aims to provide a more complete retrofit of properties to ensure maximum carbon emission savings. A minimum project scoring methodology is in place to ensure a multi-measure, whole house approach to each property. This is designed to encourage the installation of a variety of measures per household, including insulation, solar panels and renewable heating systems.

The eligibility criteria for ECO4 has seen the removal of disability benefits which qualified under the ECO3 component of the scheme. The ECO4 focuses solely on households that receive income based benefits, some tax credits and pension credits.^[5] This is perceived as having a greater focus on the most vulnerable in society.

ECO4 qualifying benefits:

- Child tax credit (CTC)
- Child benefit
- Housing Benefit
- Jobseeker's Allowance (JSA)
- Employment and Support Allowance (ESA)
- Income Support (IS)
- Pension Credit Guarantee Credit

- Pension Credit Saving Credit
- Universal Credit (UC)
- Warm Home Discount Scheme Rebate
- Working Tax Credit (WTC)

Local authorities may assess whether households are eligible under the programme, but the works are carried out by private companies, with funding from energy suppliers. Householders are recommended to check that installers are registered on the TrustMark website.^[6]

References

1. Walker, Jonathan (26 January 2016). "MP demands help for elderly after winter deaths double in the West Midlands" (<http://www.birminghammail.co.uk/news/midlands-news/mp-demands-help-elderly-after-10785096>). *birminghammail*. Retrieved 2016-01-27.
2. "Energy Company Obligation | Energy Saving Trust" (<http://www.energysavingtrust.org.uk/domestic/energy-company-obligation>). *www.energysavingtrust.org.uk*. Retrieved 27 January 2016.
3. "Previous energy efficiency schemes | Ofgem" (<https://www.ofgem.gov.uk/environmental-programmes/energy-company-obligation-eco/previous-energy-efficiency-schemes>). *ofgem.gov.uk*. Retrieved 27 January 2016.
4. "Energy Company Obligation (ECO3) Final Determination Report" (<https://www.ofgem.gov.uk/publications/energy-company-obligation-eco3-final-determination-report>). OFGEM. Retrieved 15 August 2023.
5. "ECO4 Scheme - Energy Company Obligation Explained" (<https://ukenergysupport.co.uk/eco4-scheme/>). UK Energy Support. Retrieved 31 August 2023.
6. "Energy Company Obligation (ECO4 Flex)" (<https://www.leicester.gov.uk/your-council/policies-plans-and-strategies/energy-efficiency/eco4-flex/>). Leicester City Council. Retrieved 15 August 2023.

External links

- ECO4 delivery guidance (<https://www.ofgem.gov.uk/publications/energy-company-obligation-eco4-guidance-delivery>) for suppliers from OFGEM
 - Free Boiler Grants guidance (<https://freeboilergrants.org/>) Funded by Energy Providers
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