

# The end of the Green Deal? Impact on Minimum Energy Efficiency Standard

A Government announcement to stop funding the Green Deal Finance Company<sup>1</sup> seems likely to mark the end of the Green Deal. In its announcement<sup>2</sup> the Department of Energy and Climate Change (DECC) says that it has taken this step due to low take-up of the Green Deal on the domestic side and concerns about industry standards. Green Deals already in place are not affected and for the time being DECC is proposing to keep the Green Deal framework in place. However, unless other private finance providers come forward (a possibility floated by DECC), it seems unlikely that any further Green deals will be offered. How will this affect the Minimum Energy Efficiency Standard (MEES) for commercial property? MEES comes into force in April 2018 and will seek to prevent commercial landlords renting property to tenants unless they carry out those improvement works necessary to ensure the building obtains at least an "E" rating in its Energy Performance Certificate<sup>3</sup>.

The Green Deal plays a central part in MEES in that MEES only requires landlords to carry out recommended improvements that could be funded either (a) under a Green Deal plan or (b) if the recommended measures would pay for themselves on a "simple 7 year payback" basis. Despite the legal framework being in place, the Green Deal for commercial property has never been launched, and it now looks unlikely that this will happen. Both the Green Deal and the "simple 7 year payback" mechanism broadly rely on the idea that the measures can pay for themselves over a period of time. A DECC contact confirmed informally today that MEES is likely to continue to operate on the same basis albeit that the "simple 7 year payback" is the only mechanism that would be relevant in practice (unless private financing for Green Deals comes online). DECC is currently preparing guidance on MEES and expects to issue it for consultation with stakeholders in Autumn of this year.

More generally, DECC is now launching an independent review to consider "standards, consumer protection and enforcement of energy efficiency schemes". DECC is also considering energy efficiency schemes (including the CRC Energy Efficiency Scheme and Climate Change Levy) as part of a wider review. It plans a consultation in Autumn 2015 with confirmation of the Government's ongoing policy to be announced in the 2016 Budget.

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<sup>1</sup> See DECC press release Green Deal Finance Company Funding to end

<sup>2</sup> The Green Deal Finance Company provides lines of credit to Green Deal providers who set up Green Deal plans with customers.

<sup>3</sup> For more on the MEES, see our briefing Minimum Energy Efficiency Standard for Buildings – Regulations published.

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