



ENERGY BULLETIN


martineau

Birmingham T: 0800 763 1000

London T: 0800 763 1234

www.martineau-uk.com

E: lawyers@martineau-uk.com

LOCAL AUTHORITIES CAN HELP TO TACKLE EMISSIONS FROM HOMES

There are around 26m households in the UK and this number is set to rise. Energy used to heat our homes and domestic hot water accounts for 13 per cent of the UK's greenhouse gas emissions. Heat requirements are high due to the large amount of old housing stock which tends to be poorly insulated and is equipped with inefficient gas boilers. The UK's existing housing stock contributes significantly to greenhouse gas emissions and most of that housing stock will still be around in 2050. Whilst a number of initiatives have started to have an effect (such as Warm Front, the zero carbon buildings programme and the boiler scrappage scheme), there is much more to be done.

In the context of homes, what can local authorities do to assist in reaching the binding targets of a 34 per cent reduction in emissions by 2020 and an 80 per cent reduction by 2050 against a 1990 baseline?

Are home owners/occupiers reluctant to invest in energy-saving measures?

Certainly some home owners/occupiers have invested in solar panels, heat pumps and wind turbines but, so far, the pay back periods have meant that these are only attractive to a small number. Even though the installation may add value on a sale of the house, few owners are willing to invest a large up front capital sum when they are unsure that they will receive the full benefits.

How will they be incentivised to invest?

The new feed-in tariffs for renewable generation will certainly make owners think more about installing generating equipment. Not only will they benefit from "free" electricity for their own use but they will be paid for generating and will be paid an additional amount for all power exported to the grid.

In this bulletin we concentrate on the feed in tariffs but there will be further incentive to invest with the renewable heat incentive to be introduced in April 2011, and in relation to which a consultation is expected to be published next month. We will address this in our next bulletin.

Whether the feed-in tariff will be enough is debatable. Although free electricity and a guaranteed payment is a powerful incentive and pay back periods will be considerably reduced, perhaps to as low as 7 - 10 years, there is still the up front capital cost to be funded.





Could a local authority help?

Yes. A local authority could put in place a framework whereby it funds the supply, installation and maintenance of the technology, in return for an assignment (transfer to the authority) of the right to receive the feed-in tariffs. Other energy efficiency measures could also be provided with the cost being paid out of the energy savings.

Is it that simple?

It's simple in principle, like all good ideas that change the way we live for the better. Putting it into practice would be challenging as there are a number of compliance and contractual issues to be considered including:

- the selection of the framework partners for supply, installation and maintenance

- the need to ensure that the obligation to pay the feed-in tariffs or renewable heat incentives continues on a change of ownership or that the local authority has another mechanism to recover the investment
- how breaches of the agreement with the owner/occupier will be dealt with
- interface with other funding streams
- whether the scheme will be limited only to power generation technologies for which feed in tariffs will be available or whether it will include other measures such as insulation
- landlord and tenant issues
- how to measure energy savings and resulting financial savings.

However, these challenges are not insurmountable. The key to success will be careful project planning, smart procurement and an imaginative approach to finance. The benefits to a region of putting in place a scheme to encourage local take up of renewable technologies should far outweigh the cost and time of structuring the scheme.

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.

**Catherine Burke, Partner
Energy and Projects
T: 44 (0)870 763 1552
E: catherine.burke@martineau-uk.com**

