

**Energy Company Obligation (ECO) Delivery - Memorandum of Understanding**  
Between British Gas and the Greater London Authority  
*Working in partnership to invest in London's domestic energy efficiency and CO<sub>2</sub> reduction*  
18 July 2014

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## **1. Parties**

The Parties to this Memorandum of Understanding ("MOU") are:

- (A) British Gas Trading Limited, Millstream, Maidenhead Road, Berkshire SL4 5GD ("British Gas" or "Energy Company")
- (B) Greater London Authority, City Hall, The Queen's Walk, London SE1 2AA ("the GLA")

## **2. Purpose**

This MOU relates to the delivery of the Mayor of London's climate change mitigation and energy objectives through a long-term partnership with energy suppliers. In the short to medium term, this relates primarily to maximising delivery of ECO funding in London.

A significant number of Britain's ECO-qualifying housing stock is located in London. This not only represents a significant challenge for ECO delivery, but also a considerable opportunity for partnership working in order to meet shared domestic energy efficiency objectives between the Mayor and energy suppliers. This MOU sets out objectives from both parties to ensure this opportunity is maximised.

## **3. Background**

### ***3.1 Delivering London's Energy Future: The Mayor of London's Strategy for Climate Change Mitigation and Energy***

The Mayor's Climate Change Mitigation and Energy Strategy has four primary objectives:

- To reduce London's CO<sub>2</sub> emissions to mitigate climate change
- To maximise economic opportunities from the transition to a low carbon capital
- To ensure a secure and reliable and low carbon energy supply for London
- To meet, and where possible exceed, national climate change and energy objectives

The Mayor's strategy sets the target to achieve 60 per cent emissions reductions on 1990 levels by 2025 and at least 80 per cent by 2050. London's buildings are responsible for nearly 80 per cent of London's CO<sub>2</sub> emissions. With 80 per cent of the region's existing buildings expected to still be standing in 2050, retrofitting these buildings is a priority.

Roughly half of London's building emissions come from homes. It is therefore critical that London's residents are encouraged and empowered to:

- cost-effectively retrofit their homes with energy efficiency measures,
- better manage their energy use and
- access a supply of low carbon energy.

### ***3.2 The Energy Act 2011: Green Deal, ECO and smart metering***

The Energy Act 2011 includes provisions for the new Green Deal, which intends to reduce carbon emissions and energy costs by financing the installation of energy efficiency measures through a 'pay as you save' financial mechanism.

A new Energy Company Obligation (ECO) has also been implemented through the Energy Act 2011. ECO integrates with the Green Deal and can cover up to 100 per cent of the costs of energy efficiency measures in specific housing and householder groups. ECO carbon and fuel saving targets have been apportioned to the UK's largest energy suppliers based on the supplier's customer share. These targets must be met by March 2017.

Measures that qualify for ECO funding could include insulation, district heating and, in fuel poor homes, district heating and micro-generation.

The Energy Act 2011 also includes provisions to support the Government's vision for every home in Great Britain to have a smart meter by 2019. All ECO-obligated energy suppliers are currently engaged in the Foundation Phase of smart meter roll-out.

Large scale programmes that support installation of ECO-funded measures and smart metering are necessary to help support delivery of the Mayor's climate change mitigation and energy strategy.

### **3.3 Mayor of London: Commitment and programmes**

The Mayor is committed to helping reduce the costs and remove the barriers to delivering energy efficiency measures in London. The GLA's RE:NEW programme is a model mechanism for facilitating delivery of energy company funding for domestic retrofit. The programme provides a London-wide framework that reduces procurement timeframes and provides strategic resources and procurement support for boroughs and landlords to catalyse retrofit works at scale in their stock. To date, over 100,000 homes have been retrofit through RE:NEW. However London has still not seen the levels of retrofit which are needed to meet climate change mitigation targets or even to match its share of the UK housing stock.

To support continued delivery of RE:NEW and increase uptake of available domestic retrofit funding, the Mayor is:

- providing a RE:NEW Support Team that will help boroughs and social landlords to efficiently procure retrofit delivery at scale
- managing a pipeline of energy efficiency retrofit work; he has already identified opportunities that could in total provide nearly 80,000 tonnes of carbon savings
- engaging with local, national and EU organisations, such as the London Energy Efficiency Fund, to maximise available funding sources for domestic retrofit
- redoubling his efforts to work with London's local authorities to tackle barriers such as planning and parking that inhibit efficiency in retrofit delivery at scale.

## **4. Agreement to work in partnership**

The Mayor aims to work in partnership with energy suppliers to ensure London is competitive in securing investment from them to assist in meeting climate change mitigation and energy objectives.

This document is an agreement between British Gas and the Mayor to work together in relation to the delivery of energy efficiency measures, whole or part financed under ECO or as part of other supplier targets and programmes, leveraging in up to 10% of British Gas's ECO CO2 obligation as further detailed below.

## **5. Roles**

### **5.1 British Gas**

This document commits British Gas to work in partnership with the GLA to:

- A. Develop a plan setting out how British Gas will support delivery of the Mayor's climate change and energy objectives for London's homes, which may include:
  - (1) Setting a target minimum investment by British Gas (under ECO and/or its successors and including investment to date) in the Greater London area of £36m and, in addition, an aspirational but non-mandatory target for up to 10% of British Gas's aggregate ECO Carbon and including investment to date to result in Carbon abatement in the Greater London area subject in both cases to paragraph 9 of this MOU (Changes to the Energy Company Obligation) and sufficient eligible properties being identified and reasonably capable of delivery under ECO.
  - (2) Considering routes for supporting the RE:NEW Support Team, including financial contributions if appropriate

- (3) Working with the Mayor to monitor energy use, carbon and/or energy performance of London's housing stock
- (4) Supporting the growth of London's low carbon economy and energy efficiency supply chain, especially SMEs (*Optional and strongly encouraged*)
- (5) Facilitating behaviour change in domestic energy use (*Optional and strongly encouraged*)
- B. Set non-confidential, measureable targets relating to (5.1A) that will be reported quarterly to the Mayor alongside information on the total carbon reduction score achieved under ECO thus far
- C. Meet quarterly with the GLA, to
  - (1) review progress on (A) and (B) above;
  - (2) review the availability and competitiveness of ECO projects in London; and
  - (3) identify on-going retrofit delivery and investment challenges, discuss possible resolutions for the Energy Company and/or the Mayor to take and, where appropriate, agree actions to overcome those challenges
- D. Support the future delivery of RE:NEW by creating a designated point of contact to actively consider and respond to projects developed through the RE:NEW pipeline.

## **5.2 Greater London Authority**

The Greater London Authority Act 2007 gives the Mayor of London a statutory duty in tackling climate change. Delivering wide-scale domestic energy efficiency installations is essential in order to achieve the Mayor's carbon reduction targets.

To work towards achieving the Mayor's objectives in relation to domestic energy efficiency and supply, this document commits the GLA to:

- A. Monitor and review ECO funding and carbon reduction scores delivered by energy companies in London and the rest of the UK in order to assess the competitiveness of London domestic home retrofit projects and, where appropriate, implement policy and programme changes to improve this competitiveness
- B. Proactively work with London's ECO delivery stakeholders to
  - (1) reduce barriers to delivering energy efficiency measures in London by providing tools and holding workshops to identify real barriers and solutions, focusing especially on planning;
  - (2) work with London's boroughs and landlords to establish a pipeline of potential energy efficiency retrofit project for joint review and progression with British Gas if appropriate
  - (3) where appropriate, work with National stakeholders to lobby for policy or regulatory changes to address London challenges; and
- C. Meet quarterly with British Gas, to
  - (1) review progress on (A) and (B) above;
  - (2) review the availability and competitiveness of ECO projects in London; and
  - (3) identify on-going retrofit delivery and investment challenges, discuss possible solutions for the Energy Company and/or the Mayor to take and, where appropriate, agree actions to overcome those challenges.
- D. Promote and deliver future RE:NEW activity to ensure London has a constant pipeline of fundable projects and is competitive in securing Green Deal and ECO funding by, for example, reducing procurement timeframes, consolidating stakeholder buy-in, increasing customer up take and identifying innovative funding options.
- E. Review the use of the Mayoral or GLA logos in energy efficiency marketing in Greater London if appropriate and on a case by case basis.

## 6. Governance

The GLA and British Gas will meet quarterly, to review progress on commitments set out in this MOU including:

- Progress of delivering British Gas and the Mayor's targets
- Availability of ECO-qualifying projects in London
- Address risks, issues and concerns arising from activities in London and across the UK
- Review funding and financing options including ECO, Green Deal and others to enable delivery of retrofit in London
- Discuss options for publicity of schemes in Greater London

## 7. Liability

Neither party shall owe any liability to the other for any failure to achieve respective targets (e.g. BG's ECO targets and the Mayor's carbon reduction targets).

## 8. Duration

This MOU will expire at the end of the current ECO period, currently dated as the 31<sup>st</sup> of March 2017. This date is subject to paragraph 9 of this MOU.


## 9. Changes to the Energy Company Obligation

The GLA agrees and acknowledges that British Gas's entry into this MOU is based upon the ECO scheme as subsisting at 24th March 2014. In the event of any subsequent changes to ECO (or any related matters) including without limitation the duration of ECO, the scale of British Gas's obligation under ECO and/or the type and mix of measures under ECO, British Gas agrees to work in good faith with the GLA to agree amendments to this MOU so as to enable the MOU to remain in place but shall in its sole discretion be entitled to terminate this MOU without liability by giving written notice to the GLA.

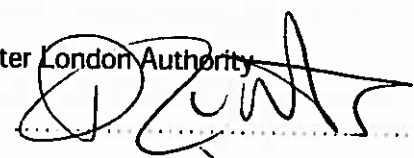
## 10. Signed

Signature of this MOU indicates that the Energy Company and GLA agree in principle to support future delivery of RE:NEW and the Mayor's climate change mitigation and energy objectives as expressed above. These parties agree to work in partnership to identify and secure funding opportunities, including ECO, assigning up to 10% of British Gas's total ECO Carbon.

On behalf of British Gas Trading Limited

Signature .....   
Printed name ..... CHRIS ALLIN  
Date ..... 05 SEP 2014  
Position ..... COMMERCIAL DIRECTOR - NEW ENERGY  
Company ..... BRITISH GAS

On behalf of the Greater London Authority

Signature .....   
Printed name ..... DAVID LUNN  
Date ..... 7 OCT 2014  
Position ..... EXECUTIVE DIRECTOR HOUSING & LAND, GLA

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