

Appendix 1 – Energy Company Obligation Information (from Department of Energy and Climate Change website).

Energy Companies Obligation (ECO)

The Energy Companies Obligation (ECO) is a government scheme designed to reduce the UK's energy consumption and support those living in fuel poverty by funding energy efficiency improvements worth around £1.3 billion every year.

The ECO Order was made on 4 December 2012 and is now in effect. The ECO will run from January 2012 until March 2015, supporting the installation of energy efficiency measures in low-income households and properties that are harder to treat. It will work alongside the Green Deal to give consumers new ways of funding energy efficiency improvements in their homes.

The Green Deal and ECO will also help reduce carbon emissions from the UK's domestic building stock, which is essential to meet statutory domestic carbon emission reduction targets by 2050.

Scope of ECO

There are 3 obligations under the ECO.

Carbon Saving Communities Obligation - This provides insulation measures to households in specified areas of low income. It also makes sure that 15% of each supplier's obligation is used to upgrade more hard-to-reach low-income households in rural areas.

Affordable Warmth Obligation - This provides heating and insulation measures to consumers living in private tenure properties that receive particular means-tested benefits. This obligation supports low-income consumers that are vulnerable to the impact of living in cold homes, including the elderly, disabled and families.

Carbon Saving Obligation - This covers the installation of measures like solid wall and hard-to-treat cavity wall insulation, which ordinarily can't be financed solely through the Green Deal.

How ECO is funded

The ECO will be funded by energy suppliers. Energy suppliers obligated to provide the scheme will determine how much subsidy they provide to each consumer. This may depend on consumers' individual circumstances and the amount of Green Deal finance being used.

The ECO is worth around £1.3 billion every year. The ECO Affordable Warmth and Carbon Saving Communities obligations will deliver support worth around £540 million per year to low-income households. The ECO Carbon Saving Obligation is worth around £760 million per year.

How ECO will be delivered

ECO will be delivered to customers either directly from energy suppliers or by organisations working together, who have made special arrangements, such as Green Deal Providers.

[ECO Brokerage](#) is a market-based mechanism that has been introduced to support an open and competitive market for the delivery of the ECO. Brokerage operates as fortnightly anonymous auctions where ECO providers will be able to sell “lots” of ECO Carbon Saving Obligation, ECO Carbon Saving Communities and ECO Affordable Warmth.