



Energy Act 2011: Energy Company Obligation

Lead Directorate: National Climate Change and Consumer Support

Issue:

A new Energy Company Obligation (ECO) to take over from the existing obligation to reduce carbon emissions (Carbon Emissions Reduction Target (CERT)) at the end of 2012. The ECO will be an integral part of the wider Green Deal.

Policy commitment:

The Annual Energy Statement states that: *“The Government will include powers in the forthcoming [Energy Bill] to introduce a new obligation on energy companies from 2012, to take over beyond CERT.”*

Provisions include:

In summary, the provisions amend existing powers underpinning CERT and the Community Energy Saving Programme (CESP) so as to provide a new obligation which will underpin the Green Deal and focus particularly on those householders (e.g. the poorest and most vulnerable) and those types of property (e.g. the hard to treat) which cannot achieve financial savings without a measure of support.

Background:

The new obligation will underpin the Green Deal and focus particularly on those householders (e.g. the poorest and most vulnerable) and those types of property (e.g. the hard to treat) which cannot achieve financial savings without a measure of support. We will consult publicly on the detail of the new arrangements.

This sector accounts for a quarter of carbon emissions and offers further potential for cost-effective emissions reductions through energy efficiency. The Government wants to see demand for such measures to be maintained until the process of improving the UK's old housing stock is complete and will use these policies to deliver this objective.

Next Key Event:

The detail of the ECO's design will be set out in secondary legislation following a public consultation exercise in autumn 2011.