

# Energy Company Obligation ECO+: 2023-2026 Consultation

## A response from

## The Federation of Master Builders (FMB)

### About the FMB

The Federation of Master Builders (FMB) is the recognised voice of small and medium-sized (SME) construction firms and is the largest trade association in the UK construction industry, with 7,000 members. The vast majority of FMB members operate in the repair, maintenance, and improvement sector. As such, they should be considered a target market for the necessary ramping up of delivery required by the Government's net zero, energy efficiency, affordability, and energy security objectives. Established in 1941 to protect the interests of construction SMEs, the FMB is independent and non-profit-making, championing members' interests at both the national and local levels.

### A note on the approach to the consultation

The FMB has responded to the consultation by theme, but not to each individual question, nor in order. Relevant questions referenced in the response are noted in italics.

### Overview

#### Delivery

There should be immediate delivery of the scheme, but support and encouragement must be given to supply chains to make the transition. Significant skills issues need to be addressed to make a success of ECO+ and pathways to training should be created.

#### Awareness

A wide-ranging awareness campaign needs to be delivered via new and existing supply chains aimed at both consumers and installers. A single point of access for industry and consumers should be created for information for the greatest possible ease.

#### Compliance

Quality control must not be compromised, nor the complexities overlooked. Experience from the Green Homes Grant scheme indicates that small builders need substantial support to become accredited. Of concern is the interaction between Licence Plus and PAS 2035 and potential confusion caused to consumers and industry by having two concurrent standards.

#### Funding

The FMB supports both the Government's existing priorities to invest in energy efficiency upgrades for those on the lowest incomes, and ECO+'s role in bringing the owner-occupier market into scope for such support. However, support for ECO+ should not remove the need for public investment in tackling the nation's retrofit challenge, including ensuring households aren't excluded because of high-cost insulation needs.

## Long-term planning

The long-term aim of ECO+ should be for the scheme to be a catalyst for future retrofit programmes. The FMB argues strongly for ECO+ to be considered as part of a wider set of comprehensive and longer-term measures that give confidence to consumers and equip industry with the right skills for delivering the Government's net zero ambitions. The FMB supports a National Retrofit Strategy, thinks the proposal for an Energy Efficiency Task Force should be implemented as soon as possible, and is backing the industry-led establishment of a National Retrofit Hub to accelerate the roll out of domestic retrofit programmes by removing duplication; reducing costs; and sharing best practice.

## Delivery

With reference to *question 3*, the FMB supports the intention to roll out the scheme prior to April to help warm homes this winter. However, this may be reliant on existing supply chains in the pre-existing ECO scheme, as FMB members who are predominantly from the repair, maintenance and improvement (RMI) sector would struggle to pivot workloads quickly.

There is also a reluctance by small builders to invest in preparing their businesses for retrofit work until they are confident that a clear and long-term pipeline of projects exists. To this end, the advertised three-year duration of ECO+ is helpful, but a longer-term ambition would have held greater value. The Construction Leadership Council's (CLC) retrofit blueprint presents the 20-year programme required to address all of the UK's 28 million leaky and energy inefficient homes<sup>1</sup>. FMB members, and the broader sector, have been negatively impacted by flaws with previous initiatives, such as the Green Homes Grant scheme and may therefore be reluctant to move quickly.

Awareness of ECO+ will also be key to a fast roll out, prior to April. Supply chains would need to be well informed; this includes builders' merchants who are often a key source of information for tradespeople. Clear and concise instructions for signing up to the scheme would need to be developed and circulated via trusted sources, such as trade associations. Direct engagement with trade associations to promote ECO+ is also advised, so that their audiences can be reached with webinars and other promotional material.

## Skills

With regard to *question 35*, on additional issues, it's worth noting that the industry has been struck by long-term skills shortages for some years and the construction industry has an aging workforce. Data from the CITB shows that in the next 10-15 years, 800,000 people are expected to retire from the construction industry. At the FMB, 60% of main business owners are aged over 50. This presents unique challenges for skilling up the sector with green skills. Small, local builders already struggle to hire key trades with 43% of FMB members reporting difficulty hiring carpenters/joiners and 38% finding it hard to recruit bricklayers<sup>2</sup>.

ECO+ should consider carefully how it creates clear pathways into work. If done effectively, it could be used as a catalyst for creating green skills. This would mean there needs to be clear and incentivised programmes for training through employers and colleges. Long-term careers advice needs to be developed to encourage school leavers into green construction.

The FMB would support the creation of skills academies, designed specifically to train, and upskill workers in retrofit skills. Crucially, any training route needs to ensure the appropriate

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<sup>1</sup> [Construction Leadership Council, Greening our existing homes: A National Retrofit Strategy, 2021](#)

<sup>2</sup> [FMB, State of Trade Survey Q3 2022](#)

standards and quality are embedded in the courses. The FMB supports reform of the CITB's scope order to bring more training options related to retrofit into play.

## **Awareness**

The FMB has long been encouraging the Government to back a holistic and far-reaching awareness campaign to spread the benefits of energy efficiency to the public, with a particular emphasis on the reduction of energy bills. To this extent, the FMB welcomes the recent announcement of 'It All Adds Up'. Such a campaign should also increase the awareness of terms such as 'retrofit' which the public are not yet comfortable with and some FMB members are still not fully aware of.

More broadly, there needs to be a single point of access for consumers and industry to learn about government-run energy efficiency schemes. This would be most appropriately held on a 'gov.uk' site. Coordinating bodies like the newly established 'National Retrofit Hub', which has been created by the industry, could also be used to disseminate retrofit information from government and industry sources.

At a local level, fully engaging with local councils and their plans for retrofitting homes would be of great value. Councils need to be engaged beyond social housing retrofit requirements. Owing to the local nature of the repair, maintenance and improvement sector that will deliver energy efficiency upgrades, using council-based resources to link through to local installers could be a useful tool for consumers.

## **Fabric first approach**

The FMB recognises the intention of ECO+ to be a fabric first, single measure initiative. A fabric first approach is positive and practical, however, the FMB argues the need for awareness raising of the whole house implications of installing single measures. The FMB is supportive of the intention set out in the consultation to allow the blending of schemes (at *question 34*) to facilitate a multi-measure outcome to energy efficiency improvements. Once again, clear communication about this will be needed to avoid confusion and potential ineligible claims made under ECO+. To secure consumer buy-in, any scheme should carefully support consumers to make informed decisions on the best way to retrofit their homes.

The FMB seeks clarity from the Government as to whether eligible single measures installed by accredited installers, but as part of a wider building project, for example a kitchen extension, would be within scope for ECO+. While supporting ECO+'s intentions to reach a large number of households and deliver measures as soon as possible, the FMB would caution the scheme designers not to overlook the value of 'going with the grain' of consumer intention, choice and appetite. If a consumer in the general eligibility group has decided to invest in their home, ECO+ should serve as an added incentive to ensure that investment is energy efficient.

## **Access routes**

With reference to *questions 32 and 33*, the Government should signpost this scheme on gov.uk, local council websites and community level programmes, especially those aimed at the tackling the cost-of-living eg, Citizen Advice. The FMB would support the self-referral route for households. To avoid the disappointments associated with the Green Homes Grant scheme, however, the earlier points about capacity and current skills availability in the market should be kept in mind.

## Compliance – Standards and Quality

The FMB is committed to and has a reputation for campaigning to encourage quality and high standards in construction. The FMB takes extensive steps to vet and inspect firms who wish to join the organisation and it requires adherence to quality standards for their duration of membership. Quality provides reassurance to consumers, and the FMB is clear that quality must not be compromised. The requirement for installations to be delivered by TrustMark registered installers is supported by the FMB.

With regards to *questions 66-70*, the FMB would encourage the use of PAS 2035 as the default 'standard' for the industry to use when carrying out retrofit work. However, the FMB acknowledges and supports the intention behind Licence Plus to make the market more accessible to more players. Given the scale of the retrofit challenge that the country faces, this thinking is needed. Furthermore, FMB members' experience of the Green Homes Grant scheme demonstrated the administrative and cost barriers involved in PAS registration. However, while the potential cost saving of using the Licence Plus scheme from TrustMark for carrying out the most simple installations under ECO+ is clear, the FMB wishes to register its concerns about the lack of alignment between Licence Plus and PAS 2035, broad concerns around the evolution of the Licence Plus scheme, that is it so-far untested, and questions about what it may look like in the future.

Complexity of standards creates complexity for business. The FMB has questions about cumulative costs for firms who start on Licence Plus and transition to PAS 2035. There are also points of clarity required on whether two systems will make enforcement of quality difficult to manage. Mixed quality of retrofit work risks reputational damage for retrofit work, harming consumer attitudes towards energy efficiency projects – which already start at a low bar, following the Green Homes Grant Scheme.

Ultimately, the industry should be moved towards a single standard approach, which fundamentally considers the whole house. The FMB is hopeful that in the long-term, many of its member firms will see the business potential in retrofit and commit to full accreditation via PAS 2035. The FMB would advocate engagement with BSI to simplify PAS 2035 to ensure it can be used more easily by small businesses. The FMB would also propose that the 2017 publication of PAS 2035 be considered as a potential route for ECO+, as this has already been tested with industry and from conversations with industry groups, it has been suggested that this would lower costs to be similar to those of Licence Plus.

### Cost

Cost should not be taken as a reason for not implementing a more robust quality assurance scheme for ECO+, however it should be used as cautionary note on the level of support required by business. The RMI sector which is well placed to deliver installations under the scheme is made up of small businesses which rarely have administrative capacity. The Government needs to be mindful of small firms' need for support to gain accreditation. For example, the Green Homes Grant Scheme attracted interest from 306 FMB members, but only three ended up with accreditation, after much cost, because of the hurdles involved.

### Implications

Not having clear pathways to accreditation and multiple 'standards' in play creates a confusing picture for both industry and consumers to navigate. There needs to be a clear single path towards what accreditation is required for retrofitting a home. If this is to include Licence Plus, then it needs to be aligned with PAS 2035. ECO+ should be seen as an entry

scheme into retrofitting and therefore ideally allow business to fully equip themselves with the tools they need to become whole house retrofitters.

If there are two different 'standards' for ECO+ it may be that there will be specialists in insulation that are used by those doing the whole house retrofit process, but this may result in a mixture of quality being delivered. The benefit of PAS 2035 is that it requires a coordinator to ensure quality is maintained across all retrofit work carried out. Splitting this or 'dumbing it down' in any way may inadvertently create poorer quality retrofit work which could put off consumers and builders alike.

## Funding

The FMB does not support ECO+ being the only funding mechanism to help create the much-needed retrofit market. Given recent commitments made in the Autumn Statement regarding a 15% reduction in energy demand by 2030 and £6 billion in extra funding, there is a case to be made that Government bring forward some of that extra money now to help support the establishment of the market and support hitherto unsupported households. Analysis presented in the CLC's National Retrofit Strategy makes it clear that Government investment will unlock more than two times as much private capital.

Regarding *question 46*, high-cost insulation measures shouldn't be seen as a barrier to retrofit. 3.4 million homes have been identified in the criteria of high cost as they are difficult to treat either via cavity wall or loft insulation. This is not an insignificant number. An assessment should be undertaken to understand how many of these households are financially capable of paying for insulation, otherwise it may result in many not improving their homes, or looking towards cheaper and possibly, poorer quality alternatives.

## Long-term planning

The aim of ECO+ should be to equip the industry with the right tools to deliver a large scale retrofit scheme. It should be seen as an opportunity to upskill the repair, maintenance improvement sector and provide quality assurance pathways for retrofit work.

The FMB would have liked to have seen a more ambitious and longer-term government commitment to the retrofit challenge that we face. So, ECO+ must only be seen as a steppingstone on the path to achieving the Government's net zero ambitions, not a broader strategy. It can be used as the genesis for awareness raising of retrofitting to the public and small builders, many of whom are not fully aware of the benefits of retrofitting, nor do they understand how to enter the market. Given the small market that currently exists for retrofitting, ECO+ should in part be judged by its role in encouraging tradespeople to pivot towards providing energy efficiency improvements.

The long-term goal should be to have an overarching National Retrofit Strategy, as proposed by the CLC<sup>3</sup>. Ultimately the vast majority of the nation's homes need to be retrofitted using a whole house approach, starting with the fabric of the building. We would encourage coordination with, and Government endorsement of, the newly established 'National Retrofit Hub' (NRH) that is being set up by industry and aims to accelerate the roll out of domestic retrofit programmes by removing duplication; reducing costs; and sharing best practice.

**For further information please contact:** [Jeremy Gray, Head of Policy and Public Affairs](#).

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<sup>3</sup> [Construction Leadership Council, Greening our existing homes: A National Retrofit Strategy, 2021](#)