

ANDREW COOPER, head of on-site renewables for the Renewable Energy Association, suggests using a second charge on property to finance domestic on-site renewable energy installations

The statement by Energy Minister Malcolm Wicks, while giving evidence for the Energy Bill, that the Government is now looking seriously at a feed-in tariff for electricity generating renewables, is very welcome.

A feed-in tariff such as the German model will certainly increase significantly the revenue benefits for renewable electricity for small generators, but for a truly world-beating renewables scheme we should address the capital cost of installations. Of course, renewables are not just about electricity generation; we also need to look at incentives for tackling the capital cost issues of renewable heat technologies.

The Renewable Energy Association has been examining current methods of financing the capital costs of on-site renewable installations for householders. Current rates of installations in existing housing are still at a very low level. If the number of installations is to rise significantly we need to address the issue of cost to the householder.

On-site renewable energy could play a crucial role in helping the Government to achieve its obligations under the EU 20% Renewable Energy target and provide the crucial impetus needed to make domestic renewable heat a realistic option.

The vision

There is much discussion in political circles regarding the need for a vision of the future of our society. Any vision we construct should play a key role in addressing global environmental concerns.

Mitigating climate change in the UK has not been an empowering or positive experience for the

average UK citizen. We have been exhorted to 'do our bit' by usually NOT doing things – saving energy, turning lights off, turning thermostats down, turning off appliances on stand-by. Where we have been encouraged to invest, it has been in passive measures such as loft insulation and cavity wall insulation. These approaches all make unarguable environmental and economic sense. They do not, however, form the components of an inspirational vision for the future of our society.

The real way of tackling climate change has seen a focus on big infra-structural approaches such as wind farms, paving the way for nuclear, exploring carbon capture, and storage approaches. Infra-structural approaches will have a significant impact on reducing carbon emissions. They do not, however, engage with the wider public at all, other than in a fairly negative way through the planning process.

One way to achieve the vision of an energy-generating democracy is to utilise the equity people have within their homes to generate the energy they need to live in them. In this way the huge public resources that were used to create the property-owning democracy can not only be released for huge environmental benefits but can be used to transform the way people regard themselves. No longer are they simply consumers of energy, they are generators. They are a real part of the solution to the biggest problem of all.

### Second charge

Soft loans, with very low rates of interest, have been floated as a method of boosting the microgeneration sector, but some of the admittedly limited experiences of such schemes don't indicate that it will be an effective route to a mass market for on-site renewables.

The attraction of a second-charge scheme, or RE-Charge, is that it would lack any significant upfront cost to the householder or any monthly loan repayments. Once the kit is installed the householder gets the benefits of renewable energy immediately. For many, this no-cost option should result in a reduction in monthly fuel bills, providing an additional incentive to take advantage of the scheme. A £3m RE-Charge scheme is scheduled to be launched by Kirklees Council in Yorkshire in April.

A second charge is an alternative name for a secured loan, so called because the loan is

guaranteed, or 'charged', on your home, and is the second charge on your home – your mortgage being the first. The holder of a second charge has a legal call on the property in the event of the borrower defaulting on repayments, but only after all liabilities to the holder of the first charge are settled.

The financial impact on householders should be neutral as the second charge on the property should be offset by the increased value of the property gained through the installation of renewable energy equipment. With fossil fuel energy costs rising, the value of a renewable energy installation should rise over time. The scheme could be piloted on a regional basis with support from Regional Development Agencies. Local councils could also have a role in such a scheme. Sheffield City Council, for example, operates a loan fund for private sector housing improvements for all nine South and West Yorkshire Metropolitan Councils.

### Conclusion

A second charge scheme could deliver large numbers of renewable heat and power installations to millions of homes in the UK. To progress the scheme further will require detailed financial modelling to enable the concept to develop into a detailed proposal. This would enable the Government seriously to consider it as a major climate change mitigation initiative which engages millions of householders.