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The Rt Hon Ed Miliband MP
Secretary of State
Department for Energy Security and Net Zero
House of Commons
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8th September 2025

Dear Mr Miliband,

We welcome the Government's consultation on the ECO4 extension as a necessary step to manage the transition to the Warm Homes Plan. Accompanying this letter is our detailed discussion paper, which outlines the associated risks and potential solutions.

As is currently drafted, the extension relies heavily on an optional 20% carry-over mechanism. Industry experience suggests this is unlikely to be utilised without clarity on the successor ECO scheme's measures, scoring rules, conversion mechanics, and costs. This risks slowing delivery, with up to 50,000 households missing out on upgrades, and jobs and skills being lost at a critical time, while consumers pay for policy costs without seeing sufficient delivery. It also risks weakening consumer protections, when households most need confidence that past problems are being addressed while new upgrades continue at pace.

We see a number of constructive solutions to ensure the extension delivers on its objectives:

- Confirm and publish the ECO successor scheme at the earliest opportunity, with clarity on measures, scoring, costs and timelines.
- Mandate that suppliers deliver existing obligation targets by March 2026 to avoid a slowdown and ensure fairness.
- Whilst working on a reformed successor scheme design, commit to a clear timetable to provide confidence in continuity.
- As a fallback, consider a modest uplift in obligations during the extension, alongside measures to strengthen consumer protections and remediation.

We hope this contribution supports constructive dialogue, and we would welcome the opportunity to discuss these options with you and your officials. We believe that with the right adjustments, the ECO4 extension can protect households, safeguard jobs, and provide the certainty needed for the Warm Homes Plan.

Yours sincerely,

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Discussion paper on the ECO4 Extension: protecting delivery, jobs, and bill payer value in 2026

ECO4 and the Great British Insulation Scheme (GBIS) have already delivered significant benefits, helping households lower their energy bills while improving the energy efficiency of homes across Great Britain. Together, these schemes have supported some of the most vulnerable households and laid vital groundwork for the Government's wider ambition to cut emissions, reduce fuel poverty, and build a stronger retrofit supply chain.

This is why we welcome the Government's affirmation of the forthcoming Warm Homes Plan and its recognition that an ECO4 extension is needed to manage the transition. However, as currently drafted, the ECO4 extension does not meet its own stated objectives of:

- Maintaining support for householders and ensuring value for money for bill payers.
- Safeguarding jobs and supply chain continuity.
- Strengthening consumer protections and remediation.
- Providing certainty for investment and delivery.

Instead, the **proposal risks a delivery slowdown, job losses, and a collapse in supply-chain confidence, at precisely the time we must scale up capacity for the Warm Homes Plan. Up to 50,000 households could miss out on energy efficiency upgrades if this issue is not addressed.** This is not only damaging in practice, but it runs directly against the Government's own pledges. The Secretary of State for Energy Security and Net Zero has been clear that successful investment depends on giving businesses a "line of sight" and "the certainty and stability you need to invest." Yet the ECO4 extension, in its current design, does the opposite; it invites delay, erodes confidence, and destabilises the very workforce and supply chains needed for the Warm Homes Plan to succeed.

Why the proposed 20% carry-over fails

The centre piece of the consultation is an optional 20% carry-over mechanism. On paper, this signals a potential market of up to £800m during the extension period. In practice, it will not work:

1. **Optional delivery:** carry-over is entirely at the discretion of suppliers. In reality, suppliers will not utilise it until the Government has announced the successor scheme and confirmed its measures, scoring rules, conversion mechanics, and administrative price. Without this clarity, there is no way for suppliers to judge whether carryover activity will be recognised or cost-effective. The rational choice is therefore to **defer rather than accelerate delivery**, leaving the extension period underutilised.
2. **No pro-rated obligation increase:** the consultation keeps total ECO4 obligations unchanged. This allows suppliers to spread what they would already deliver by March 2026 across 6–9 extra months, effectively creating a slowdown rather than continuity.
3. **Incentives misaligned:** suppliers' rational behavior is to rely on certainty and delay delivery until a future ECO scheme rules are clear. This "wait and see" approach is already well established from past scheme transitions.

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4. Evidence from History:

- ECO2 → ECO3: delivery dipped sharply; insulation installs fell off a cliff.
- ECO3 → ECO4: consultation-to-legislation delays caused months of suppressed activity.
- 2013 transition: cavity wall insulation fell by ~97% year-on-year, with thousands of jobs lost.

The carry-over mechanism, as designed, cannot provide continuity or certainty. It is a loophole for deferral, not a stimulus for delivery.

Risks: jobs, confidence, and value for bill payers

- Jobs and skills: The Construction Industry Training Board's Building for Net Zero Report estimates that ~350,000 additional full-time roles will be required by 2028 to deliver net zero, with 2026 a critical ramp-up year. A slowdown now would shed workers we cannot afford to lose, setting the Warm Homes Plan up for failure before it begins.

This risk is reinforced by evidence from the Insulation Assurance Authority Federation (IAAF), the trade body representing the insulation industry. In a recent survey by the IAAF, **91% of employers reported that without confirmation of an ECO4 extension in the near future, they would be forced to make difficult decisions, including laying off staff**. Such a hiatus, driven by uncertainty in the extension's design, could trigger catastrophic job losses and further delay delivery of the Warm Homes Plan.

- Supply chain confidence: recent schemes (Green Homes Grant, LAD, HUG) under-delivered and underspent, already shaking confidence. Warm Homes: Local Grant is still mobilising with reduced spending levels, which are more than initially anticipated. Another "soft" extension erodes trust further.
- Bill payer value: **with up to 50,000 households potentially missing out on energy efficiency upgrades**, consumers risk paying considerable sums for policy while delivery stalls, undermining value for money.

Consumer Protection and Remediation

We recognise that any extension must be accompanied by stronger consumer protections and effective remediation, so that households have confidence that problems from past deliveries are being addressed while new upgrades continue at pace.

We acknowledge the Written Ministerial Statement of 17 July 2025 on quality and compliance under ECO4. An overhaul of the consumer protection and quality framework is clearly needed. However, it is important to note that the systemic failures referenced in that statement were largely ringfenced to Solid Wall Insulation and the relatively small number of operators. These issues point to weaknesses in oversight and enforcement, rather than a flaw in the ECO framework itself.

This distinction matters. Reforms to consumer protection, including tougher oversight of guarantees, certification schemes, and remediation processes, can and should be introduced independently of the ECO4 extension, if not before. Alongside this, a temporary suspension of Solid Wall Insulation within ECO can address the immediate risks, without delaying the extension or jeopardising wider delivery.

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We also recognise the importance of pairing continuity with action on remediation and quality, so that the extension protects jobs, sustains installer capacity, and ensures only competent firms remain active in the market. The consultation references “reforming the consumer protection system,” but the best consumer protection is a steady pipeline of work that keeps competent firms in the market and maintains high standards.

What a better extension looks like

The consultation’s objectives can only be met if the Government gives the market confidence about the future ECO successor scheme. That means:

- **Publish the ECO successor scheme immediately** (eligible measures, scoring rules, conversion factors, and pricing assumptions), and confirm for energy suppliers that any carry-over mechanism will be cost-effective and costs recoverable.
- **Mandate that energy suppliers must deliver existing obligation targets by 31 March 2026**, even where an extension applies, to avoid an immediate slowdown in delivery, and to ensure suppliers who have made strong progress are not unfairly penalised.
- **Commit to a timeline for legislating for the new scheme**, giving suppliers confidence to utilise carry-over.

If the Government is unable to provide this clarity in time, the fallback is clear: **replace the optional carry-over with a mandatory uplift in obligations during the extension**. This would retain value for money, ensure continuity of delivery, and provide the confidence supply chains need to retain workers and invest.

Avoiding boom-and-bust

The ECO4 extension presents an opportunity to avoid the mistakes of past transitions and to show real commitment to continuity, jobs, and consumer value. As drafted, it risks another damaging slowdown. Up to 50,000 households could miss out on support. We urge the Government to:

- Reconsider the implications of the carry-over design as drafted to ensure householders do not miss out on support.
- Put the workforce and supply chain at the heart of this policy design, because without them, the Warm Homes Plan cannot succeed.
- Publish successor scheme details now to give the industry confidence.

This is not a call for higher ambition than already promised, simply for a design tweak that makes the extension credible. Without it, we risk repeating the boom-and-bust cycles that have already cost the UK thousands of jobs, eroded skills, and slowed progress toward net zero. With it, we can keep the supply chain working, protect bill payer value, and build the capacity needed for the Warm Homes Plan.

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