Energy Efficiency Trends Vol. 20

Essential insight for consumers and suppliers of non-domestic energy efficiency in the U.K.

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Section 1. Introduction

70%

Proportion of efficiency projects including lighting

14%

Suppliers citing policy uncertainty as their main concern for the industry

Welcome to the latest edition of UK *Energy Efficiency Trends*, the leading source of market insight for the energy efficiency sector.

The results this time show that 2Q of 2017 was a relatively quiet quarter; a sector 'ticking over' without major incident or drama. A point of note, however, is the further domination of LED lighting within the technologies list. The long-term technology of consumer choice continues to go from strength to strength and this quarter it extended this dominance even further – now accounting for seven out of ten energy efficiency purchases.

This success story does appear to have been at the expense of a range of other technologies, however, many of which saw lower-than-expected uptake this quarter. Yet despite this, suppliers remained steadfastly positive and the general outlook for next three months is almost buoyant.

Of course, if 2Q has been a quieter-than-normal quarter, then perhaps we are witnessing the calm before the Brexit storm? With little concrete progress reported by U.K. or EU negotiators – and with critical trade talks contingent on first reaching wider political settlements – the energy efficiency sector's policy-driven concerns could yet undermine this current sense of 'ticking along nicely' optimism.

Tom Rowlands-Rees
Bloomberg New Energy Finance

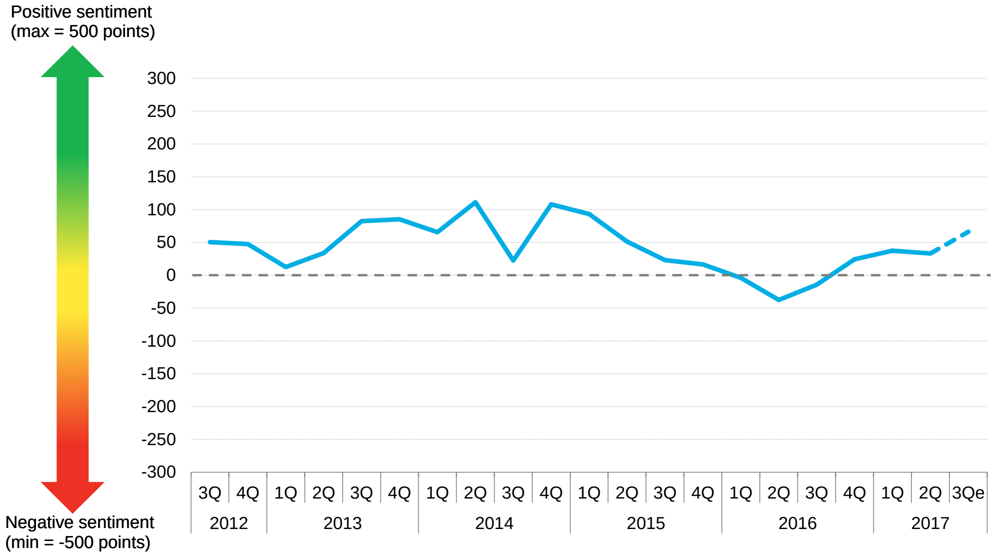
Ian Jeffries
EEVS Insight

Section 2. Executive Summary

The EEVS/Bloomberg *Energy Efficiency Trends* Survey (Vol.20) was completed by 83 U.K.-based respondents (39 consumer organisations and 44 suppliers), between July 25 and August 24, 2017. Their answers relate to the situation in the second quarter of 2017.

2.1. Supplier trends

Figure 1: Market Monitor – tracking industry confidence

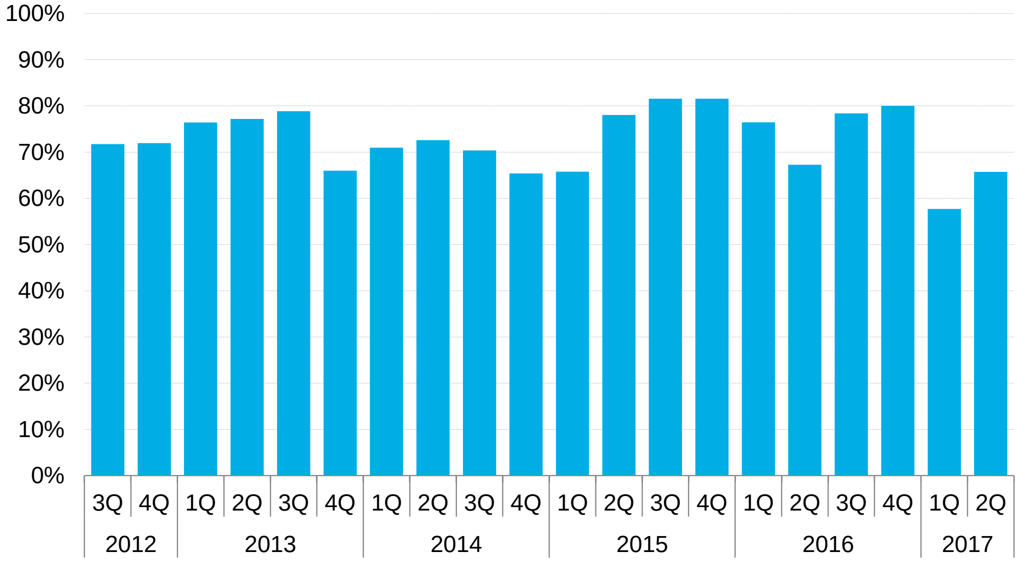


Source: EEVS, BNEF. Note: based on weighted confidence indicators from Figures 3, 4, 5, 6, and 9. Zero represents neutrality.

- Supplier confidence flattened this quarter after 12 months' of incremental rises that have taken the EEVS/Bloomberg Market Monitor (see Fig.1 below) from negative sentiment into positive territory. The confidence indicator continues to sit well above neutral – with the sector expecting a return to an upward trajectory in the next three months.
- The flattening in sentiment this quarter reflects a quiet period from a supplier perspective, with few material changes to report. National orders remain positive with seven out of ten suppliers continuing to see consistent or increasing order numbers. International business continues to make little impact and sales prices have remained flat.
- The principle concern for the sector remains 'customer demand' (18%). With issues around the Brexit negotiations high on the business agenda, 'policy uncertainty' saw a material uptick this quarter: 14% reported this to be their principle concern.
- The sector's view on government action also remains negative -- six out of ten suppliers now consider energy efficiency policy to be ineffective.

2.2. Consumer trends

Figure 2: Consumers commissioning efficiency projects



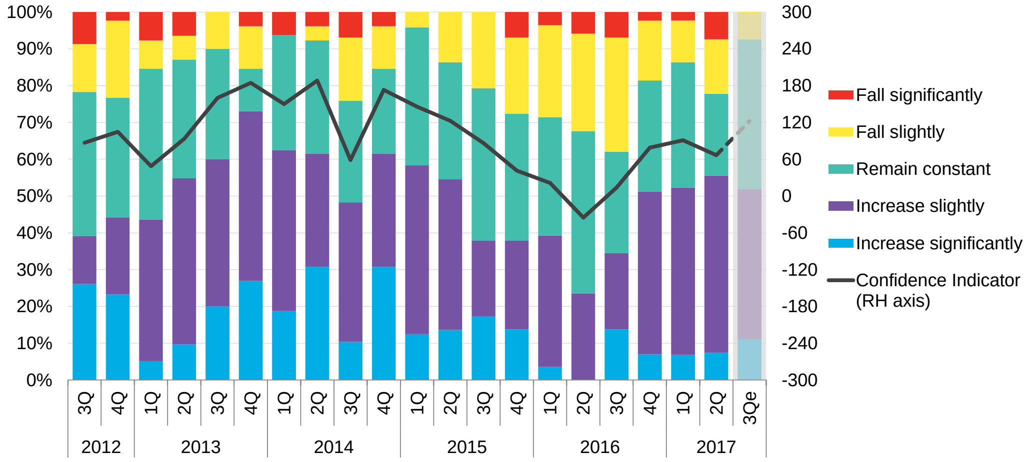
Source: EEVS, BNEF. Note: shows the proportion of respondents who have commissioned (or plan to commission) projects in a given quarter.

- High efficiency lighting further extended its domination of the energy efficiency technology list this quarter. Almost 70% reported uptake, and lighting projects now account for more than double the next most popular technology (lighting controls). Conversely, many of the other leading technology choices saw a dip in purchases in the last three months. A notable exception was boiler replacements and boiler controls.
- Consumer spending also tightened this quarter as uptake of very large (and very small) projects dipped. The balance shifted toward the more modest £50-£100k spending band. Overall, six out of ten energy efficiency projects are within a £50k to £500k spending range.
- Finance for the above projects was overwhelmingly from in-house sources, with no material uptake of externally-sourced finance.
- Almost 80% of consumers expect investments to payback within five years.

Section 3. Supplier trends

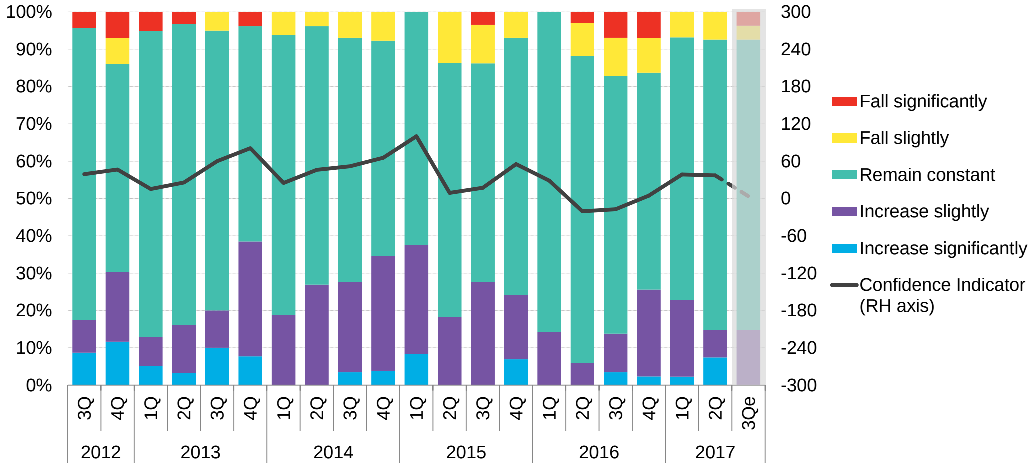
3.1. The order book

Figure 3: Trends in orders from national customers



Source: EEVS, BNEF. Note: the confidence indicator is an input to the market monitor in Figure 1. Zero represents neutrality.

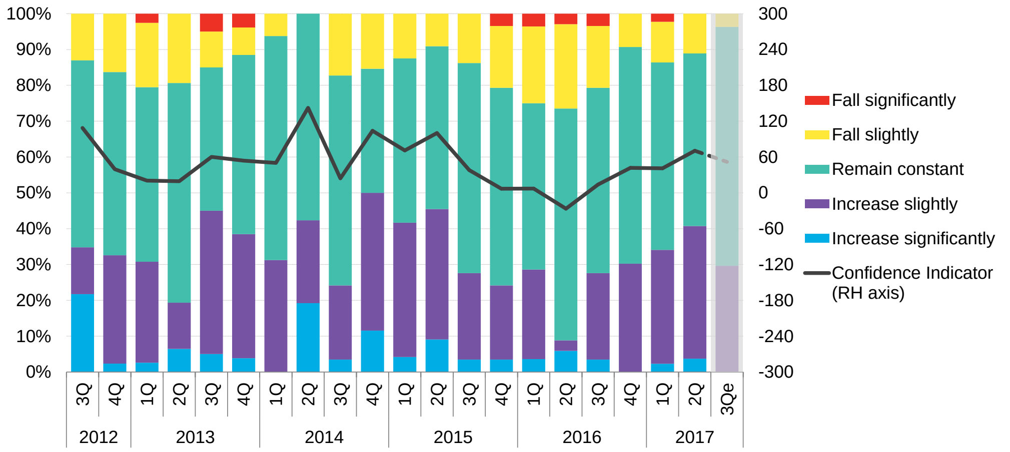
Figure 4: Trends in orders from overseas customers



Source: EEVS, BNEF. Note: the confidence indicator is an input to the market monitor in Figure 1. Zero represents neutrality.

3.2. Staff numbers

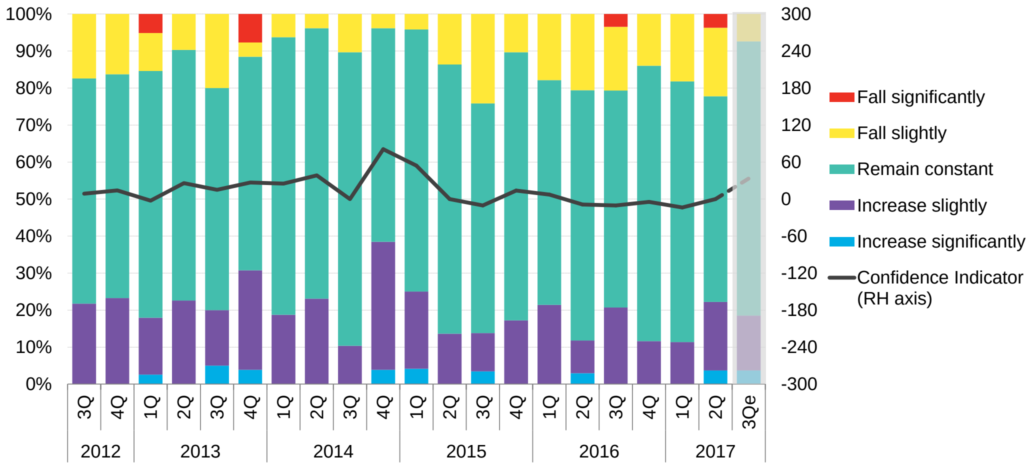
Figure 5: Trends in the number of staff employed



Source: EEVS, BNEF. Note: the confidence indicator is an input to the market monitor in Figure 1. Zero represents neutrality.

3.3. Sale prices

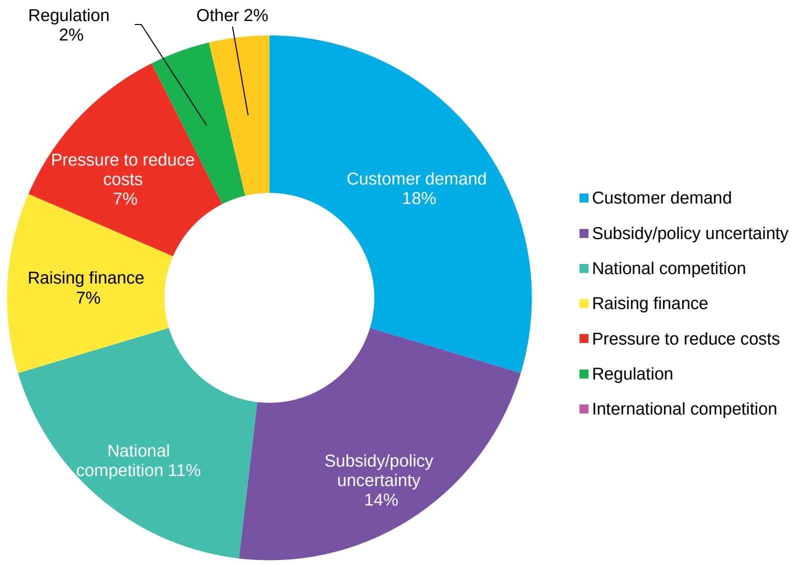
Figure 6: Trends in sale prices achieved



Source: EEVS, BNEF. Note: the confidence indicator is an input to the market monitor in Figure 1. Zero represents neutrality.

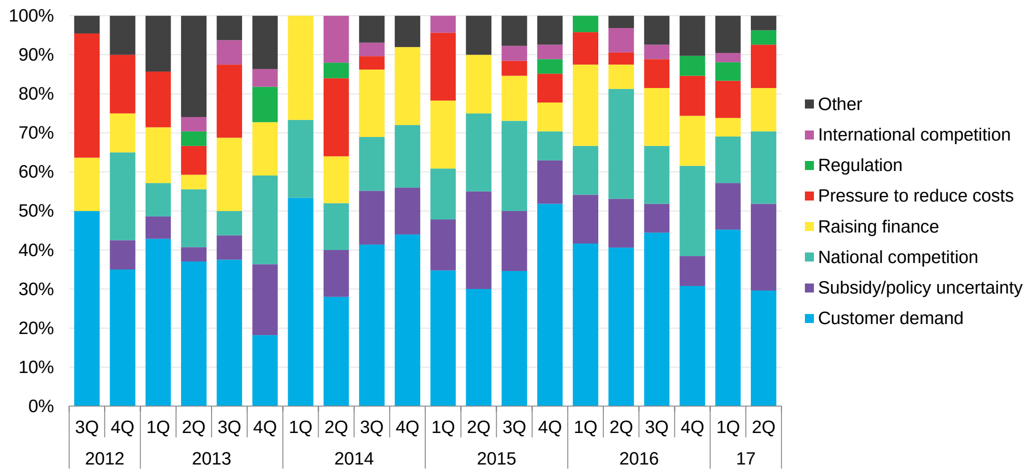
3.4. Industry risk

Figure 7: Key issues of concern to energy-efficiency suppliers, 2Q 2017



Source: EEVS, BNEF. Note: each supplier respondent was asked to select their primary issue of concern.

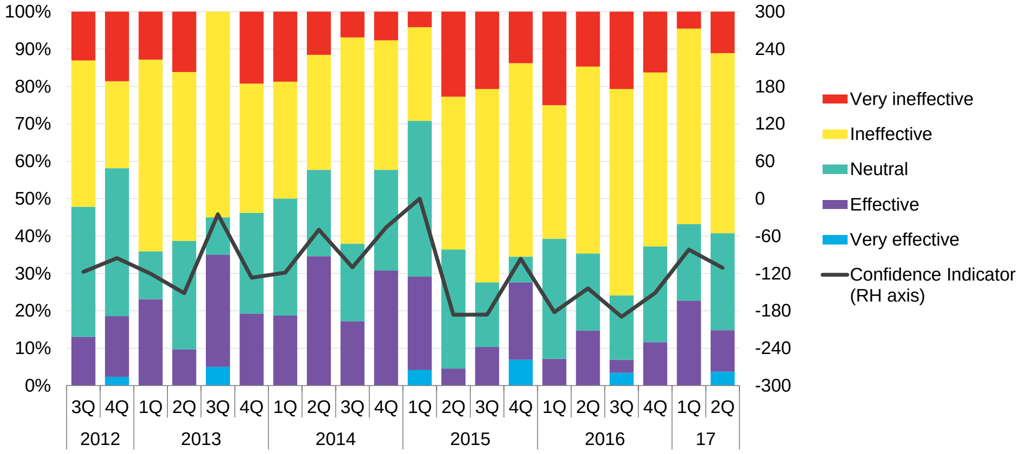
Figure 8: Trends in key issues of concern



Source: EEVS, BNEF. Note: each supplier respondent was asked to select their primary issue of concern.

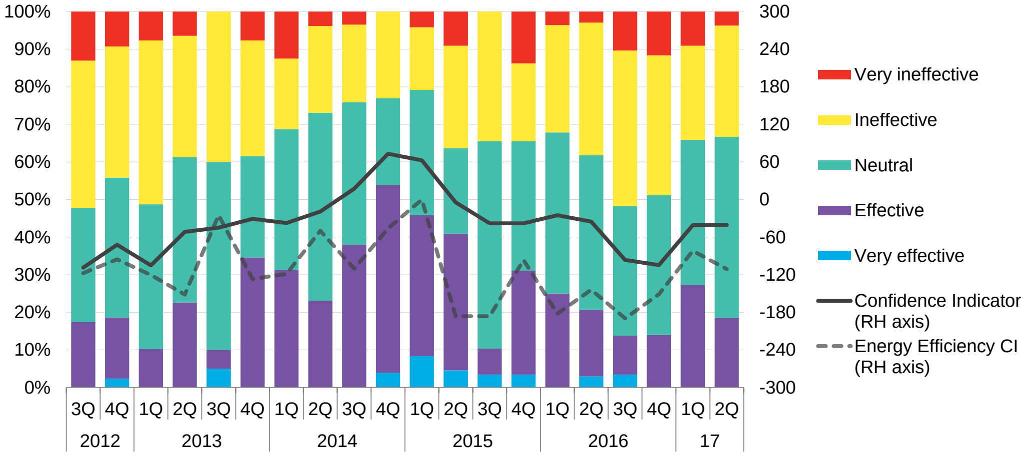
3.5. Government Effectiveness

Figure 9: Trends in industry views on energy efficiency policy



Source: EEVS, BNEF. Note: the confidence indicator is an input to the market monitor in Figure 1. Zero represents neutrality.

Figure 10: Industry views of the wider economy's management

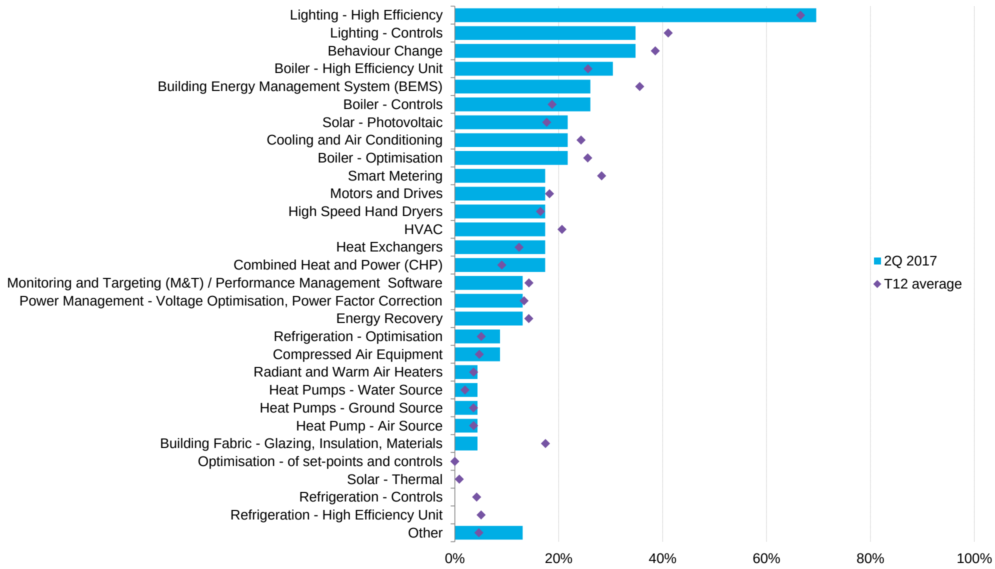


Source: EEVS, BNEF. Note: CI = confidence indicator. The dotted line represents the CI from Figure 9, which is overlaid here for comparison with views on the wider economy. Zero represents neutrality.

Section 4. Consumer Trends

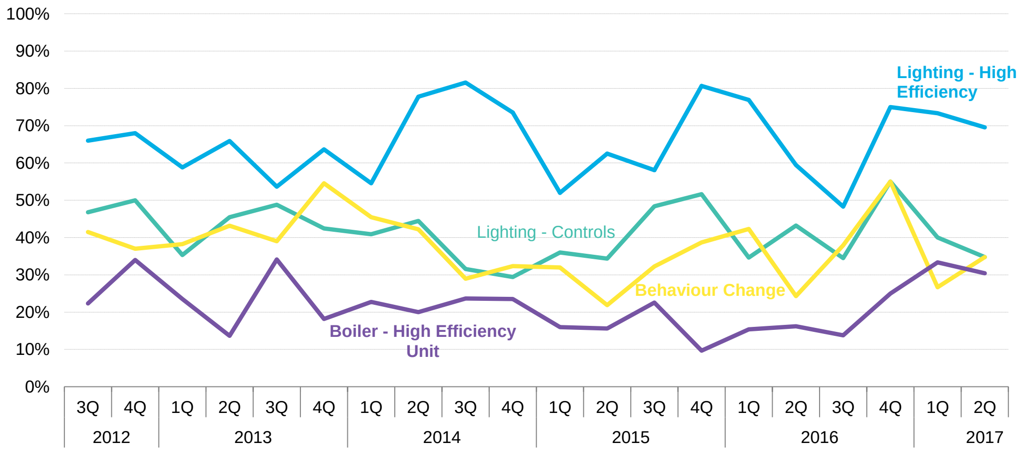
4.1. Technologies and measures

Figure 11: Uptake of energy efficiency technologies, 2Q 2017 versus four-quarter average



Source: EEVS, BNEF. Note: ranks technologies according to the proportion of consumers who commissioned a project in each technology out of the overall number of consumers commissioning projects.

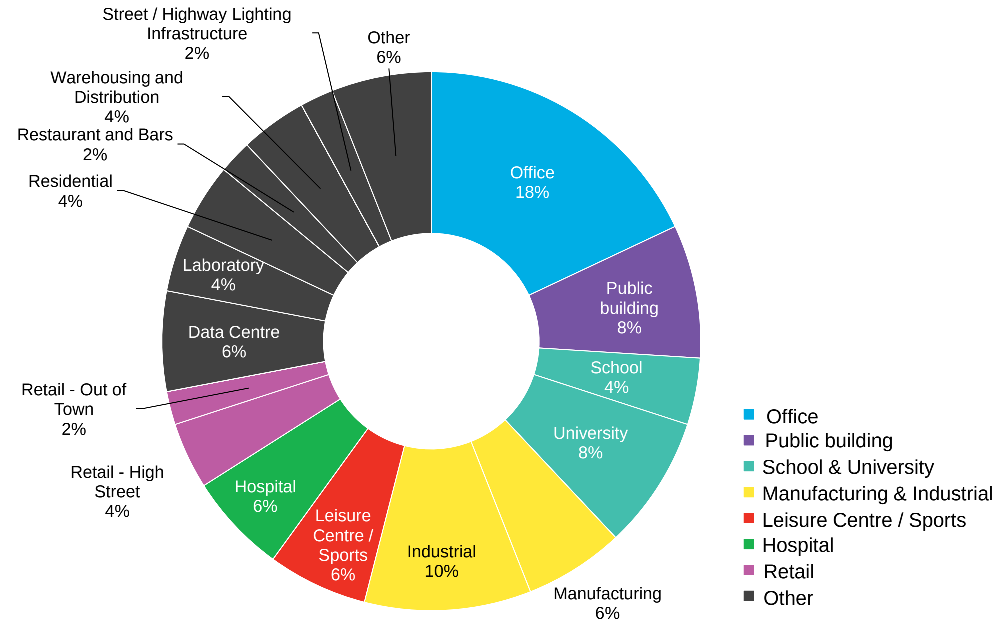
Figure 12: Trends in top technologies for consumer uptake



Source: EEVS, BNEF. Note: shows the proportion of respondents who commissioned a project in the respective category out of the total number of respondents who commissioned a project.

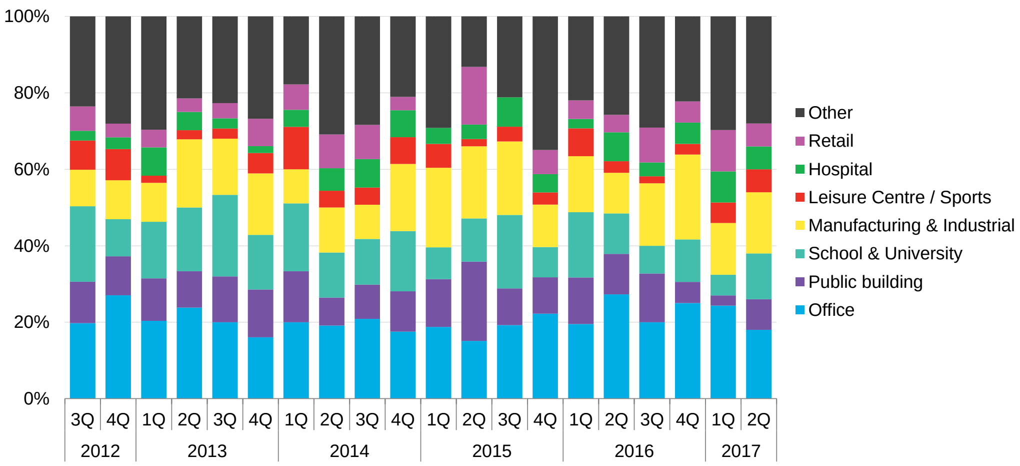
4.2. Property types

Figure 13: Breakdown of commissioned projects by property type, 2Q 2017



Source: EEVS, BNEF

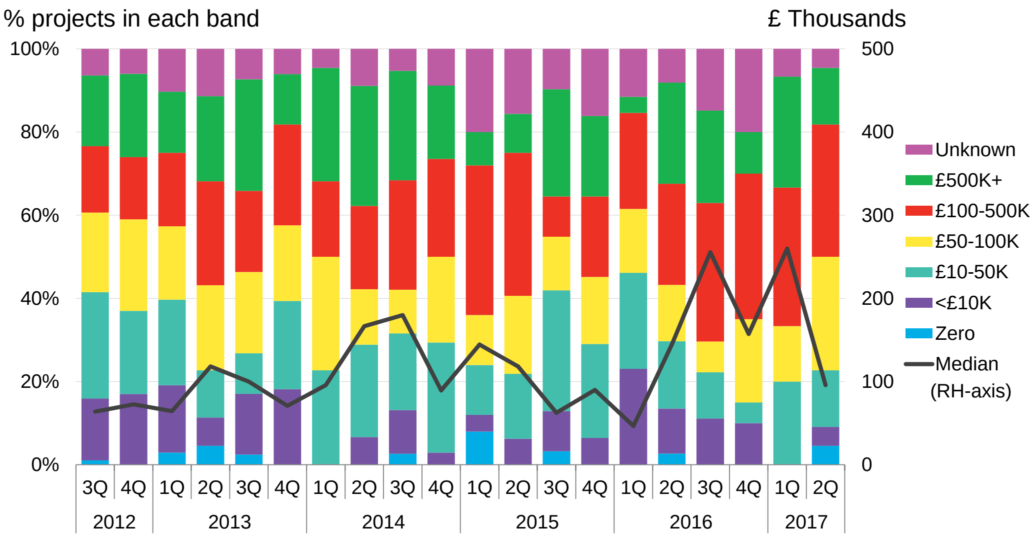
Figure 14: Trends of commissioned projects by property type



Source: EEVS, BNEF

4.3. Project costs

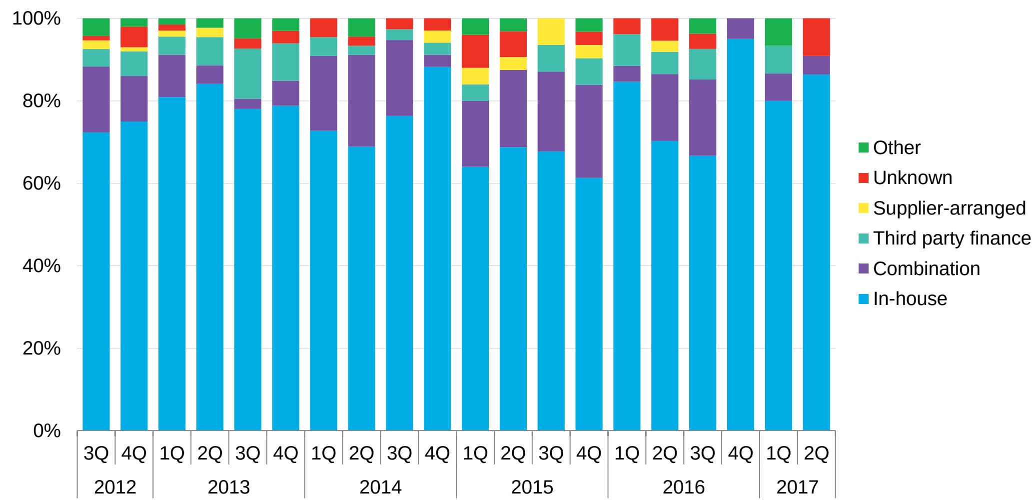
Figure 15: Trends in capital costs



Source: EEVS, BNEF. Note: the line shows the cost trend for energy efficiency projects over time based on the estimated median.

4.4. Project finance

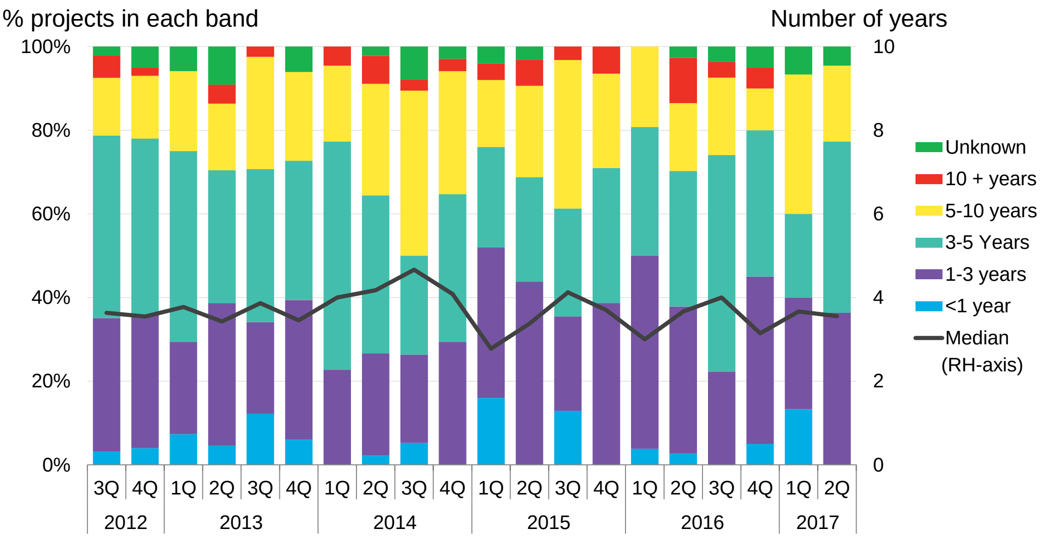
Figure 16: Trends in finance models



Source: EEVS, BNEF

4.5. Financial payback

Figure 17: Trends in expected payback periods



Source: EEVS, BNEF. Note: the line shows the expected payback trend for energy efficiency projects based on the estimated median.

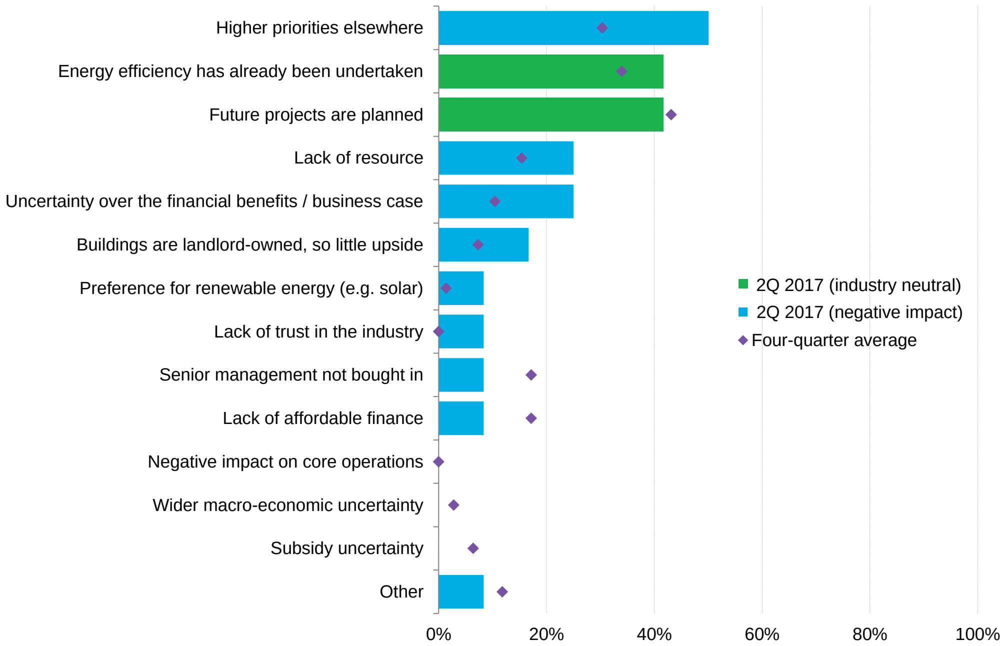
4.6. Measurement and verification

Figure 18: Trends in the use of good practice M&V

Source: EEVS, BNEF. Note: M&V = measurement and verification.

4.7. Consumers not undertaking energy efficiency

Figure 19: Consumer reasons for lack of efficiency uptake, 2Q 2017 versus four-quarter average



Source: EEVS, BNEF. Note: respondents not commissioning projects may have cited multiple reasons. The chart shows the proportion of respondents in each category out of overall respondents not commissioning projects. Results therefore do not sum to 100.

Appendices

Appendix A: Methodology

The EEVS/Bloomberg *Energy Efficiency Trends* Survey (Vol.20) was conducted between July 25 and August 24, 2017, and completed by 83 U.K.-based respondents (39 consumer organisations and 44 suppliers).

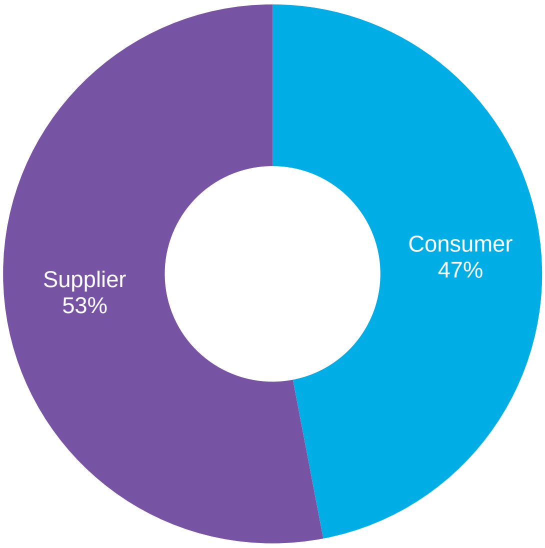
This is the 20th in a series of reports showing industry trends in non-residential energy efficiency. As the report series evolves, we continue to make minor tweaks.

Initially, the report covered a broad range of European countries, but since Volume 8, it has presented U.K.-based results only, as these consistently accounted for the bulk of data received.

In focusing the report on a single country with better data coverage, we were able to present cleaner, more robust results. This coincided with a revamp of the analysis including – among other modifications – the introduction of a set of time series charts.

Please reach out should you wish to discuss any of the trends observed in the charts.

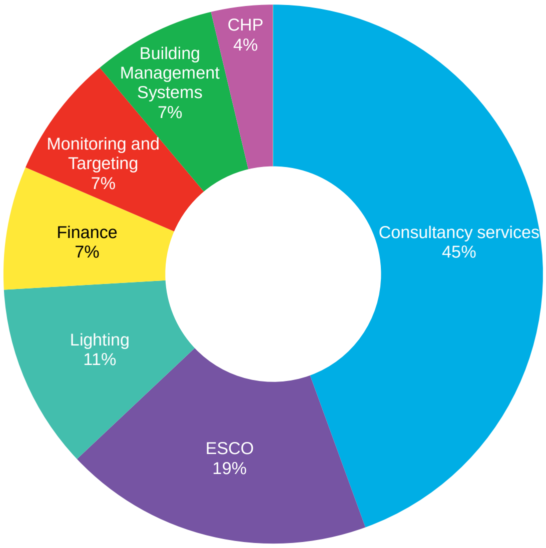
Figure 20: Who completed the survey? 2Q 2017



Source: EEVS, BNEF

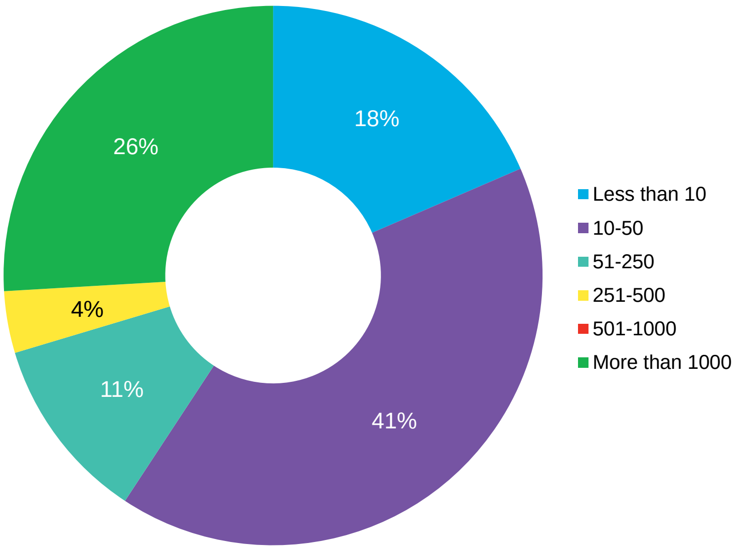
Appendix B: Supplier respondents

Figure 21: Breakdown of respondents by supplier type, 2Q 2017



Source: EEVS, BNEF

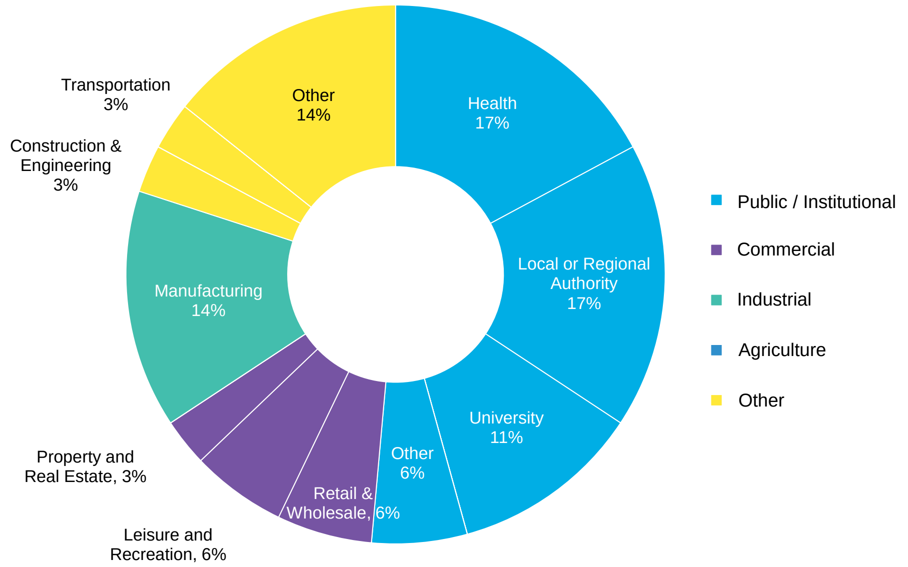
Figure 22: Supplier respondents' organisation size (no. of employees), 2Q 2017



Source: EEVS, BNEF

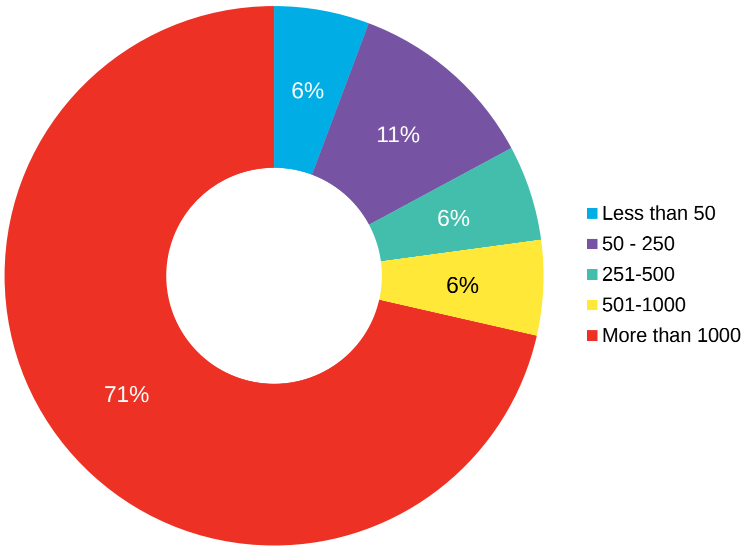
Appendix C: Consumer respondents

Figure 23: Consumer respondents by sector, 2Q 2017



Source: EEVS, BNEF

Figure 24: Consumer respondents' organisation size (no. of employees), 2Q 2017



Source: EEVS, BNEF

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