

United Kingdom

Energy Company Obligation

OBJECTIVE

The Energy Company Obligation (ECO) aims to reduce fuel poverty by improving the energy efficiency of vulnerable households while contributing to the United Kingdom's broader climate goals. The policy also aims to stimulate the energy efficiency improvements market and encourage innovation in the sector.

COUNTRY

United Kingdom,
2013 - ongoing
(different iterations)

SECTOR AND APPROACH

Buildings; Regulation
and Incentive

SOURCE

[Energy Company
Obligation website](#)

DESCRIPTION

Introduced in 2013, ECO mandates large energy suppliers to fund and deliver energy efficiency improvements in low-income and vulnerable households. The policy primarily targets low-income households, social housing tenants, and those at risk of fuel poverty.

Eligible measures include insulation (loft, cavity wall, and solid wall insulation), efficient heating systems, and renewable energy installations. Over time, the scope of ECO has evolved, with ECO4 encouraging whole-house retrofits and more stringent efficiency standards.

UNIQUE ASPECTS OF THE POLICY

ECO is a policy that aims to improve household energy efficiency and address fuel poverty. Unlike many direct government subsidy programmes, ECO places the responsibility on private energy suppliers, making it a market-driven initiative.

RESULTS

Since its inception, ECO has facilitated the installation of more than 3.1 million energy efficiency measures in more than 2.4 million households in the United Kingdom. The policy has contributed to significant reductions in household energy bills, with estimated lifetime savings of more than GDP 20 billion. The latest phase, ECO4, launched in 2022, continues to focus on low-income and fuel-poor households while integrating more ambitious energy-saving targets.

LESSONS LEARNED

While ECO has successfully improved energy efficiency in millions of homes, challenges remain, including administrative complexity, inconsistent implementation across suppliers, and concerns about funding allocation. Some households have faced difficulties accessing support due to strict eligibility criteria.

Future iterations of ECO may benefit from streamlining application processes, increasing transparency in funding distribution, and expanding eligibility criteria to reach a broader segment of fuel-poor households.

ALIGNMENT WITH REGULATORY AND POLICY FRAMEWORKS

ECO works alongside several other UK energy efficiency initiatives, including the [Green Homes Grant](#) (now discontinued), the [Warm Home Discount](#), and the [Minimum Energy Efficiency Standards](#) for rental properties. Additionally, it complements the United Kingdom's decarbonisation efforts under the [Net Zero Strategy](#) and [Clean Growth Strategy](#).

IMPLEMENTATION AND ENFORCEMENT

The UK government sets ECO targets, which obligated suppliers must meet through funding and implementing eligible energy efficiency measures. Compliance is monitored by the Office of Gas and Electricity Markets to ensure suppliers meet their targets and apply appropriate quality standards.

Penalties and enforcement actions are imposed on suppliers failing to meet their obligations. The scheme's effectiveness is regularly reviewed and adjusted to enhance delivery and impact.