



A Boiler Scrappage Scheme

May 2020

Revenue raising economic stimulus package that cuts household bills, improves air quality, and saves carbon emissions – a Boiler Scrappage Scheme.

Foreword

If someone offered this promise, policymakers would fall back on the old adage, “if it looks too good to be true, it probably is”.

But a Boiler Scrappage Scheme does deliver upon those promises, what’s more, it was tried in 2010 and proved to be hugely successful and popular too.

A part of a post-Covid economic recovery policy, a Boiler Scrappage Scheme can also help protect UK manufacturing jobs, create income-earning opportunities for self-employed installers and SMEs to boost local economic performance, and as promised, also raise revenue for the Treasury.

If you are interested, read on.



Mike Foster
CEO
The Energy and Utilities Alliance
May 2020



How a Boiler Scrappage Scheme works

In short, a £400 voucher from the Treasury is given to a householder who has a working G-rated boiler replaced by an A rated product. (Full details of how the 2010 scheme worked is attached for your reference.)

Evaluation of the 2010 scheme¹

The 2010 scheme was evaluated in February 2011, independently of the industry, by the Energy Savings Trust and TNS. It found the following: -

- Satisfaction with the scheme 96 per cent
- Vouchers claimed 118,618 (over three months)
- 240,000 tonnes of carbon saved over 1.4 years
- Household bill savings £290/year
- Between 48,000 – 55,000 of installer firms directly involved in the scheme (compared to just over 2000 that took part in the Green Deal)

What a 2020 Boiler Scrappage Scheme (BSS) looks like

There are still an estimated one million G rated “Zombie” boilers still being used to provide heat and hot water across the UK. They are highly inefficient, by modern standards, circa 70 per cent or less compared to 92 per cent for a new A rated boiler today. At the time of the evaluation, the previous scheme found that 52 per cent of boilers scrapped were over 20 years old, that range of boilers is the target for the proposed scheme, they are now 30 years old.

The proposal would be for the Government to issue 200,000 BSS vouchers, worth £400 each. The maximum cost of the scheme is therefore capped at £80m.

Adopting the methodology previously used, only G rated boilers that are working and replaced, would qualify for the voucher. All current Gas Safe Registered installers (approx. 130,000) would be eligible to undertake the work involved and sign off the replacement.

Benefits²

- Carbon savings of 151,000 tonnes per year
- Household bill saving semi-detached £205/year, detached £315/year
- NOx emissions down by 82 per cent per boiler scrapped
- VAT receipts for replacing boiler £92 million
- Annual increase in VAT received between £7.8 and £12 million

1 EST+English+Boiler+Scheme+Scrappage+evaluation+report
2 See Appendix 1 – Calculations

Appendix One – calculations and assumptions

Household bill savings³

A and G rated boiler energy consumption

Using Ofgem Typical Domestic Consumption Value 12000 kwh of heat and hot water demanded, at 92% efficiency (A rated) equates to 13044 kwh consumed; for a G rated (max 70% efficiency) consumption is 17143 kwh.

Carbon intensity⁴ of gas 0.184g/kwh on 4099 kwhs is 754g per boiler per year, 150,843 tonnes CO₂e per year savings.

NO_x emissions, G rated boiler, >240mg/kwh, compared to <56mg/kwh A rated boiler. G rated emits 4.11kg per boiler, A rated 0.73kg per boiler, equivalent to 676,000 kgs of NO_x saved overall, 82% per replaced boiler.

VAT receipts

Average cost of a boiler replacement (EST figure) £2300, VAT at 20%, £460 per boiler replaced, or £92 million.

Household bill savings of £205 (semi-detached) include VAT at 5 % of £10, net £195; £315 (detached) includes VAT £15, net £300.

Assumption that the net of VAT household bill saving is spent on items attracting standard rate, 20%, equates to between £7.8 - £12 million additional receipts per annum.

³ Energy Savings Trust – website last accessed 5.5.2020 <https://energysavingtrust.org.uk/home-energy-efficiency/boiler-replacement>

⁴ Energy Savings Trust – website last accessed 5.5.2020 <https://energysavingtrust.org.uk/about-us/our-calculations>

The Energy and Utilities Alliance (EUA) is a not-for-profit trade association which provides a leading industry voice helping shape the future policy direction within the sector.

Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future.



EUA has seven organisational divisions -Utility Networks (UN), The Heating and Hotwater Industry Council (HHIC), The Industrial & Commercial Heating Equipment Association (ICOM), The Hot Water Association (HWA), The Manufacturers' Association of Radiators and Convectors (MARC), The Natural Gas Vehicle Network (NGVN), and The Manufacturers of Equipment for Heat Networks Association (MEHNA). EUA also provides secretariat services to several other organisations within the sector.



 www.eua.org.uk

 01926 513777

 mail@eua.org.uk

 @energyutilities

The **Energy and Utilities Alliance**
Camden House,
Warwick Rd,
Kenilworth
CV8 1TH