

Delta Research Brief

Understanding Customer Attitudes Towards Decentralised Energy

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*Investment in decentralised energy – energy assets at customer's buildings – could be larger than investment in power plants, according to the International Energy Agency. **Understanding consumer attitudes** is critical to securing a stake in this market.*

*New research by Delta Energy & Environment shows that **UK** customers are most attracted to micro-CHP and photovoltaics but only just ahead of a range of other technologies. Electricity and gas suppliers are the most trusted types of companies for installing such products.*

*In **Germany**, photovoltaics, solar thermal and insulation stand out as the most popular technologies. Installation companies and manufacturers are the most trusted – electricity and gas suppliers fall along way down the list.*

Energy Investments on the Customer Side of the Meter

A potentially huge prize is up for grabs – and will be won by consumer-focussed companies that can develop exciting, enticing propositions

Investment in conventional, large-scale energy assets are the business of project finance, internal rates of returns and risk profiles. Financiers crunch costs and revenues for a small number of very large investments. Utilities and financiers make decisions based on the risk-return profile.

But a very different, and potentially larger part of the energy space is opening up. The International Energy Agency predicts investment in energy efficiency in European buildings (including power generation and low carbon heat – Delta defines this space as decentralised energy) could reach US\$380 billion over the next twenty years, larger than that in power plants. Let's say profit margins are 10% - that's US\$38 billion of profit up for grabs.

This prize is sparking a race for the customer and will be secured by companies that understand customers rather than project finance. Homeowners, a major part of the decentralised energy market, are the decision makers – and they do not make decisions solely on paybacks, rates of return or risk profiles. They can be annoyingly irrational. Understanding how to excite and engage with them, as well as creating profitable, scalable business models is key to unlocking the decentralised energy prize.

So What Are Homeowner Attitudes Towards Decentralised Energy?

Companies that can best engage with homeowners and end users will win a large chunk of this prize. New research by Delta Energy & Environment sheds some light on the attitude of homeowners in the UK and Germany towards decentralised energy.

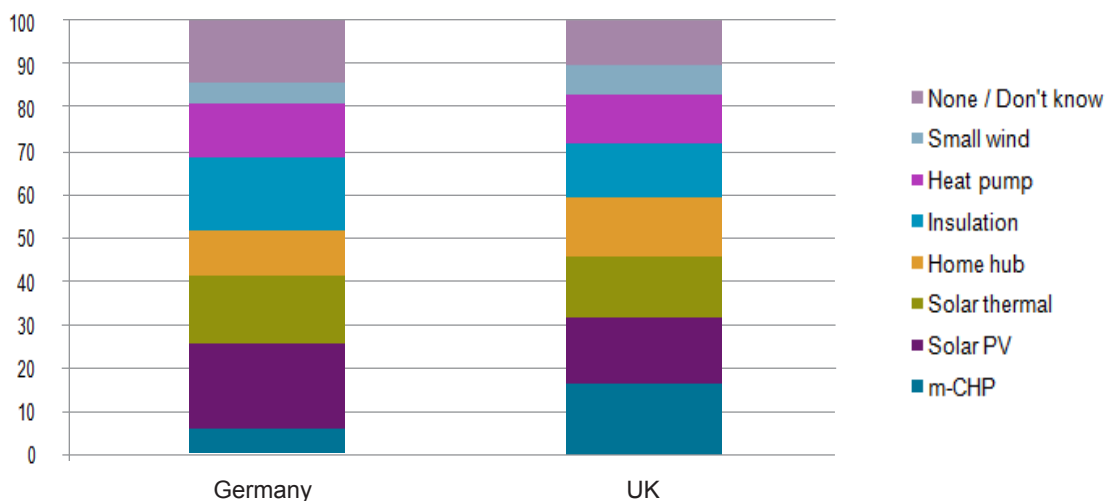
UK homeowners are most attracted to micro-CHP, German homeowners to solar products.



When asked which technologies they were most interested in, solar energy topped the list in Germany. Some 35% chose solar thermal or photovoltaics. The UK results were much more evenly spread across the technologies, with the emerging technology of micro-CHP (micro-combined heat and power – essentially a boiler that generates electricity) just coming ahead of photovoltaics.

FIGURE 1 - German and UK attitudes towards different decentralised energy technologies

These responses were in response to short descriptions of the technology – without any information on paybacks, performance, savings etc. Consumers were asked ‘Which kind of energy saving products and services are you most interested in using in your home?’ The results incorporate respondents’ top three choices.



Source: Delta Energy & Environment, 2010

Who Do Customers Trust To Install These Products?

A diverse range of companies are jockeying for position in the decentralised energy space. In Germany, solar energy has mainly been the domain of specialist installers. Kofler Energies, a well financed new entrant into the energy sector with roots in the media industry, has built an impressive management team and intends to lay claim to the energy efficiency domain.

In the UK, an intriguing mix of electricity and gas suppliers (such as Centrica and E.ON), retailers (such as supermarket Tesco, DIY company B&Q and Sky) and specialist decentralised energy installers are all bringing new customer propositions to market.

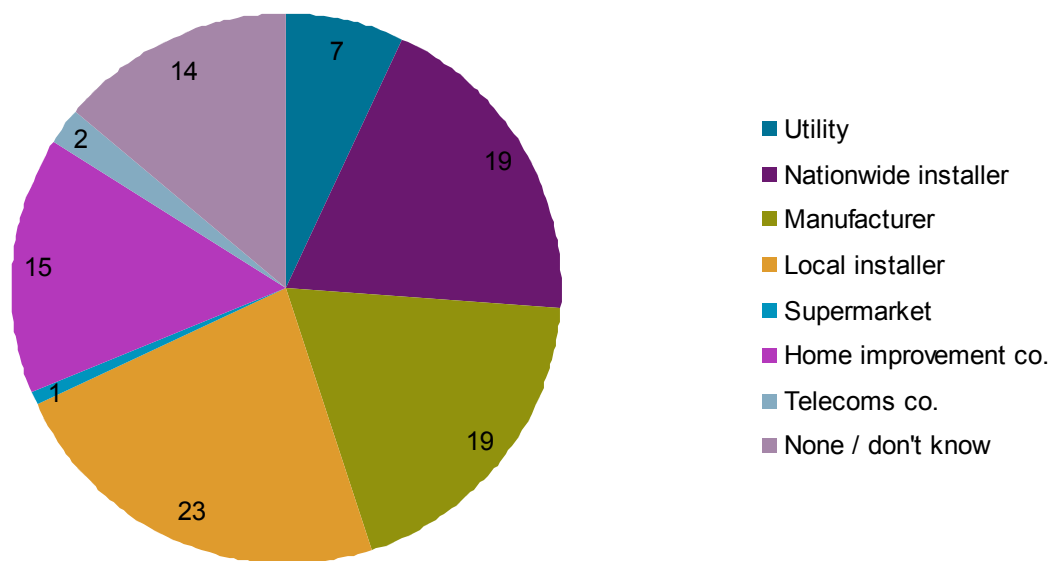
Customers in Germany and the UK have some very different preferences in terms of who they would naturally purchase decentralised energy from.

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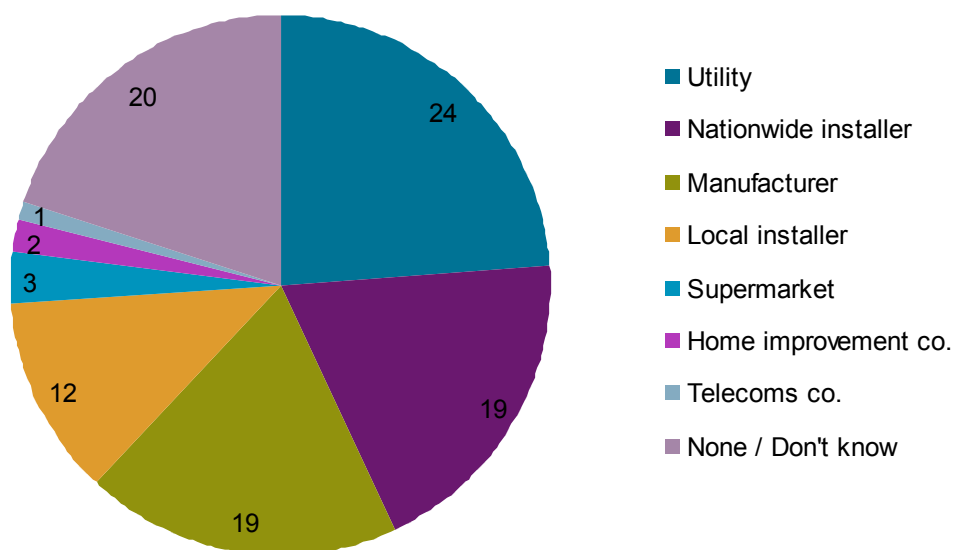
FIGURE 2 - There are some stark differences between who UK and German consumers would naturally turn to for decentralised energy products

Consumers were asked 'If you were thinking of installing products in your home that will reduce your energy consumption or allow you to generate your own heat or electricity, which, if any, of the following would you trust the most to provide you with these products?' The results incorporate respondents top three choices.

GERMANY



UK



Source: Delta Energy & Environment, 2010

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What Should Companies Do to Position Themselves in this Market?

Companies looking to successfully capture part of the decentralised energy prize will need to, amongst other requirements:

- ▶ Establish a position as a trusted authority to recommend the right solution; provide the customer with a good deal; and be professional in installing and maintaining the energy product
- ▶ Have a portfolio of solutions that appeal to consumers - different people will have different needs and different preferences

About Delta Energy & Environment and this research

Delta's research was based on 2,000 consumers in UK and 500 in Germany, carried out by ICM for Delta in May 2010. The research also explored how customers wanted to learn about decentralised energy technologies, their attitudes towards different incentives, and the key issues influencing their purchasing decision.

As part of Delta's wider research, it is working with European energy companies on a multi-client study - 'Mass Market Energy Services - Strategies for Success' to explore strategies and tactics to exploit future energy services growth.

To learn more about Delta's research on understanding customer attitudes towards decentralised energy, Delta's energy services multi-client study and Delta's wider research, please contact Andy Bradley on +44 131 476 4259, andy.bradley@delta-ee.com, www.delta-ee.com.