



Response to the:
“Carbon Emissions Reduction Target April 2008 to March 2011:
Consultation Proposals May 2007”

Executive Summary

This submission is from the insulation industry and has been produced by the National Insulation Association (NIA) in association with the Cavity Insulation Guarantee Agency (CIGA). Together we represent the manufacturers and installers of the key insulation measures successfully delivered under the various phases of the Energy Efficiency Commitment (EEC) and which will be delivered under the Carbon Emissions Reduction Target (CERT).

The insulation industry fully supports CERT and hopes that this programme will build upon the impressive energy and carbon savings which have been cost-effectively achieved under EEC. However, there are some areas where there is a clear opportunity to improve on the proposals which have been outlined in the consultation and these are discussed in our response.

Due to the changes in Building Regulations in April 2005, nearly all new boiler installations are energy efficient (condensing) which will result in higher efficiency in the generation of space heating. Therefore the key task for Government is to ensure that this efficiently generated heat is not simply escaping into the atmosphere through a lack of adequate insulation.

It is vitally important therefore to insulate the remaining cavity walls, lofts and solid walls. These have been our key objectives in looking at the consultation proposals and for the latter two measures we believe that far more could be achieved during the CERT period than these proposals currently allow. The carbon benefit of insulation measures over all others is clearly demonstrated by the fact that less than 5% of the measures carried out under EEC were insulation yet these dominate the energy savings achieved.¹

Within our response we discuss each of the main policy areas in turn and provide our views as to how the benefits of CERT can be maximised with some small changes to that which has been proposed.

¹ In EEC1, 4.4% of the measures related to insulation and accounted for 56% of the energy savings: www.defra.gov.uk/environment/energy/eec/pdf/eec-evaluation-pdf; in EEC2 Defra’s illustrative mix expected 3.7% of measures to be insulation contributing 80.8% of the energy savings.

Our key recommendations are:

- **Overall Target** – Our industry has demonstrated that it has the capacity to meet the targets as proposed.
- **Low Income Consumers** – The 40% target for the Priority Group (PG) is too high and we repeat our assertion that this should be set at 25%. In addition, we welcome the PG Flexibility Option and believe that the cap for this should be doubled. A doubling could result in around 5,000 households being removed from fuel poverty through this option alone. We are extremely concerned about the potentially high acquisition costs for the PG moving forward but believe that with a smaller target, doubling of the cap for the flexibility option and assistance from Government in specific areas these costs could be limited.
- **Innovation Activity** – the key area under CERT for this function is to ensure that the solid wall insulation industry is transformed in time for the beginning of the Supplier Obligation Post 2011. If this does not happen over the next three years a real opportunity will have been missed. We would like to see solid wall insulation included as a qualifying measure and a doubling in the cap on the amount of work that can be claimed under this option.
- **Whole House Approach** – It is vitally important that the principle within the Low Carbon Building Programme whereby no microgeneration measures are installed until all cost-effective insulation is provided is adopted by CERT. In addition, we believe that there needs to be some form of uplift to ensure that loft top-ups over 60mm are installed at the same time as cavity wall insulation so as to avoid this lost opportunity.
- **Loft Research** – We do not support the research which the Government has used in calculating the savings for loft insulation and have previously commented on this. However, Government have stated they do not wish to reconsider this issue and therefore we believe that robust research, involving the insulation industry, needs to be carried out by Government during CERT to inform the savings which will be attributed under the Supplier Obligation Post 2011.

A central focus of our response is that we believe we have a shared responsibility with Government to ensure that the large and effective industry that has been developed to deliver the insulation targets, has a future after the potential for the present cost effective measures has been realised. If all of the above recommendations are adopted by Government then we believe this will result in a far more effective programme which will meet the policy objectives of the Government and ensure a future for our industry.

Introduction

This submission is from the insulation industry and has been produced by the National Insulation Association (NIA) in association with the Cavity Insulation Guarantee Agency (CIGA).

The NIA represents the manufacturers and installers of insulation products including cavity wall insulation, loft insulation and other innovative products. We have consulted widely in producing this response and have no objection to its contents being made public.

CIGA provides independent 25 year guarantees for cavity wall insulation fitted by registered installers. The Cavity Insulation Guarantee Agency was established in consultation with the Government to provide householders with an independent, uniform and dependable guarantee covering defects in materials and workmanship.

Insulation is responsible for 82 per cent of the savings achieved under EEC2² and it is estimated that it will represent at least 75 per cent of the savings under CERT. The industry therefore welcomes this consultation document as it provides an opportunity for those who have successfully delivered the Energy Efficiency Commitment to provide feedback on the key provisions of the proposed scheme.

As there are few specific questions asked within the Consultation we have grouped our response loosely based on the headings as outlined under Section 2. Detailed comments on the various annexes and appendices are contained within these main headings.

If further information would be helpful on any of the issues raised or any other aspects of the Consultation then we would welcome providing this in writing or to arrange a meeting with Departmental representatives. Contact details are provided at the end of this document.

² Ofgem: 'EEC Update: 'Energy Efficiency Commitment', Issue 21/July 2007

Detailed Comments

1. Overall Target

The insulation industry has clearly demonstrated that the capacity to meet the proposed target is available. Despite the poor transition which the industry is currently facing, and the fact that energy suppliers have not accepted our view that a smooth transition and gradual increase in activity should have been undertaken this year, we are still completely confident that our industry will meet the capacity requirements that are proposed.

The independent report published in February 2007 of the “*UK Insulation Sector Supply Chain Review*” clearly demonstrates that the capacity is now available.

We agree with the conclusions that capacity concerns which were the central focus in the development of the EEC programmes have now been replaced with what the report terms the High Risk³ involved in relation to the identification of the Priority Group. The risks and uncertainty in relation to the PG acquisition costs are detailed below and are our key concern as to the successful delivery of the CERT programme.

In summary, we are confident that the overall target represents an ambitious, but achievable, goal and are in no doubt that it can be delivered. The challenge of cost effectively delivering measures in the Priority Group should not be underestimated and will require the co operation of all involved.

2. Low Income Consumers

It should be noted that in the first quarter of 2007 the insulation industry, via NIA, and the energy suppliers, via the Energy Retail Association, took the unprecedented step of producing a joint paper detailing our concerns regarding the original Priority Group targets which were consulted upon by Defra⁴.

We accept that in response to such concerns the Department has since revised downwards the proposed 47% target to 40%. This is still hugely redistributive, and it remains our belief – born from practical experience of the increasing difficulty of finding PG measures under successive EEC schemes – that it is still over ambitious.

Whilst supporting the approach that the absolute size of the Priority Group should be explored using the available potential for CWI we do not believe that the conclusions of ‘*Note B: Remaining Potential for cavity wall insulation*’ are robust. We would specifically point to the overambitious access rates which have been assumed and question whether there are realistic opportunities offered by churn levels – these need to be reviewed.

³ Defra: “UK Insulation Sector Supply Chain Review” Final Report February 2007, page 14.

⁴ Defra, ‘*The Energy Efficiency Commitment April 2008 to March 2011: Initial Consultation*’, July 2006.

It is also our belief that analysis and research of Decent Homes should **not** be used to review Note B. Our industry has examined this analysis and it is less accurate than the existing information in Note B; consequently it would exacerbate rather than clarify the situation. Rather than feedback our own views we will instead quote 2.2.3. of the DCLG's own analysis which states: "*There is some bias in both the LA and RSL samples and the results need to be treated with caution. This survey is dependent on landlord information and is therefore critically dependent on the quality of that information.*"

Whilst we recognise the issues in relation to financial equity for the Priority Group, we do not believe that this should be based upon the 35% of households that the Priority Group represents, but rather the percentage they pay towards fuel bills which is directly how CERT will be financed. It is estimated from data obtained from the Office of National Statistics⁵ that this is less than 28%. **It makes logical sense that financial equity should be based upon the financial contribution made by each demographic group.** If the Priority Group is really concerned with financial equity then this is the only sensible approach.

To retain the Priority Group at 40 per cent or to make an even more retrograde step of increasing this to 45 or 50 per cent will mean the decision is not based upon Government's own research and deliberation or the central principles on which the programme has always been based – of delivering carbon savings cost-effectively. To argue for a higher Priority Group simply based on what it has been set at in previous years is not basing policy on the evidence as it is our understanding the Government has asserted it will do.

Therefore as previously stated we firmly believe that a far more practical and achievable target would be a 25% Priority Group as proposed in the Initial Consultation.

We believe that the role of the PG target and its importance in terms of social equity versus fuel poverty has been confused. There is clearly a perception amongst many organisations and politicians that there is an explicit link between work to tackle fuel poverty and the size of the PG.

We have already demonstrated, as have many others, that there is actually a very poor correlation between these and that a lower Priority Group combined with a more focussed approach to fuel poverty would be more beneficial for all concerned and also far more cost effective. Indeed the extremely low (100,000⁶) number of homes that are expected to be removed from fuel poverty from the vast expenditure (well in excess of £1.5 billion) on the Priority Group throughout

⁵ Data from Office of National Statistics Fuel Expenditure Survey 2005/6. Based upon income deciles 1-3 and half of decile 4 as a proxy for the Priority Group.

⁶ Defra, '*The Energy Efficiency Commitment April 2008 to March 2011: Initial Consultation*', July 2006, Page 29

EEC and CERT demonstrates this point. Around 30-48% of fuel poor households are currently not classified as Priority Group⁷ and the vast majority of the priority group are not fuel poor. In addition, many lower income households, and therefore many fuel poor, live in households that will not benefit from the main CERT measures due to having a solid wall. These households could however benefit from the PG Flexibility Option.

We also note that some commentators have stated that they do not believe that the size of the Priority Group should be constrained by the remaining potential for cost effective measures in general and cavity wall insulation in particular. This is a flawed argument as the size of the target needs to recognise the actual reality in the GB housing stock. Also, to abandon a cost-effective approach to the overall target where any significant fuel poverty outcomes are at best questionable, would undermine the very aspects in the design of this carbon saving programme which have made it such a success to date. We would also vehemently object to any political decision that were made to lower the potential size of the overall carbon saving target due to the cost of a higher PG as this would wholly go against the purported aims of the programme.

The points outlined above demonstrate that the overly ambitious Priority Group target proposed is now the greatest danger to the successful and cost-effective delivery of this programme. We hope that Government will review the size of this PG target to address this risk.

Once the size of the PG is finalised its impact on the delivery of the whole CERT programme needs to be carefully monitored.

A vital area in respect of the Priority Group is the assumed targeting and acquisition costs as outlined in the latest Illustrative Mix. **We believe the acquisition costs assumed for the Priority Group are hugely underestimated and must be urgently reviewed.** The indirect costs are expected to radically increase unless a significantly smaller Priority Group target is adopted. The costs as outlined in the Illustrative Mix seem to be based upon the challenge of a much smaller Priority Group and clarity is required as to how these have been calculated. The insulation industry is already experiencing increased acquisition costs far higher than those proposed in the Illustrative Mix and we expect these to continue to increase.

It is important to recognise that an unrealistically high PG target will also have a limiting and negative impact on the delivery of the whole programme. Suppliers' have already indicated that to mitigate the extreme risk they see if a 40% Priority Group target is adopted, they will look to front load work in the PG in the initial year or so of the Scheme and thereby limit the amount of work that can be carried out in the Able to Pay sector.

⁷ BRE 'Detailed Breakdowns of Fuel Poverty in England in 2004', April 2006, DTI Website.

This will result in unused capacity within the insulation industry which has geared up to deliver the programme. **NIA Members are already reporting that funds for Able to Pay work are only being made available if they can deliver Priority Group jobs in parallel.** This situation is expected to worsen in CERT potentially placing an artificial constraint on the Able to Pay market which will severely affect the ability of our industry to cost effectively deliver the challenging carbon targets proposed with industry capacity standing idle and not being fully utilised.

In addition, we feel that a large PG is counter productive in the longer term. Funds spent on marketing and acquisition – finding those on eligible benefits – is money that will not be spent in actually helping such individuals. These costs are likely to be so extensive that they represent a significant amount paid through customer's energy bills – and therefore those on low incomes – without actually providing any benefit to them.

Such difficulties are compounded by the issue of churn. Low income groups move home and so can move into a household which is not thermally efficient. Therefore, the only way to ensure all those on low incomes benefit from a thermally efficient home is to insulate all of the housing stock and therefore 'future proof' this stock. As Government has a goal of ensuring all of the stock is thermally efficient by 2016-2020 it makes far more sense to look at how we can insulate all the stock in the most cost-effective manner as opposed to relying on the PG.

The constraints presented by the PG will also have an uneven effect across the industry on a geographical basis due to the increased propensity for Priority Group householders in some geographical regions as compared to others. This could result in the CERT scheme not being delivered equitably over the whole of Great Britain and a far clearer understanding of this issue is required. A regional breakdown of Priority Group householders and the potential for cost effective measures such as Cavity Wall Insulation must be urgently published by Government, so that the insulation industry can gain a greater understanding of how this will affect the delivery of the CERT programme.

Even with a lower PG target the risks in delivering to this group are so great that they must be mitigated further. As we have argued above, the target should be lowered while maintaining financial equity.

We therefore welcome the approach adopted for the Flexibility Option but believe that some amendments are needed to maximise its effectiveness.

The first issue that needs to be corrected is the unhelpfully small size that this flexibility option has been set at. A five percent target is far too restrictive in what is otherwise a useful tool. The Priority Group Flexibility Option as proposed does not reduce the overall carbon saving target and will lead to a

more focussed and beneficial outcome amongst the fuel poor - **this should be encouraged by increasing the cap to ten percent.**

We also have concerns as to whether the focus upon those in the PG who live in the private sector and especially as to how 'off the gas network' will be calculated. PG households with uninsulated walls are cold whether or not they are connected to the gas network. It is our belief that the definition should be as wide as possible to reduce potential acquisition costs and the risk of finding such consumers. This will also reduce the risk of energy suppliers not adopting this option because finding those eligible for it is even more challenging than finding standard PG customers.

Linked to this issue will be the level that the translation factor is set at. We are concerned that if it is set at too high a level it will not be sufficiently attractive to suppliers. Whilst not having a detailed proposal of the exact level it should be set at - this should be agreed through discussion with the suppliers - it is our view that when weighing up the possible positive and negatives from various translation cost levels there is far less risk in being slightly over generous. **We must ensure that the potential benefits of this option in saving carbon and tackling fuel poverty are not lost due to the translation factor being set at a level which does not make it sufficiently attractive to suppliers.**

Looking at the methodology in Annex 3 of the consultation for calculating this figure, the actual cost of measures needs to be realistic and at the moment this is not the case for solid wall insulation. We believe that this is currently understated and should be recalculated based upon a cost of around £4,000-5,000⁸. We also support Scenario A in relation to the cost differential as this seems a far more practical methodology.

Whatever methodology is used we do not believe that this factor should be included in the Statutory Order as this would not allow it to be amended if it were found to have been set too high and as such was not attractive to the suppliers.

There is also concern as to whether stating that only those who qualify for the Priority Group can benefit from the Priority Group Flexibility Option. Far more effective and a direct influence in mitigating the causes of fuel poverty could be achieved if a more effective proxy could be found for the fuel poor such as the Index of Deprivation used by the Department of Communities and Local Government.⁹ An alternative would be a simple definition such as those with a solid wall who are either off the gas network OR qualify for the Priority Group.

This would be far more beneficial, reducing the costs of finding such households, and increasing the number of measures that can be installed and will actively

⁸ We would recommend that a working group is urgently set up involving the insulation industry, suppliers and the Energy Saving Trust to finalise a figure.

⁹ <http://www.communities.gov.uk/index.asp?id=1128440>

assist customers. The key to success in this area is to maximise assistance and minimise administration.

The Flexibility Option will provide a much better tool for removing households from fuel poverty. **Almost half of all those in fuel poverty live in solid wall households¹⁰ and so tackling these is essential if Government are to meet their fuel poverty targets.**

Looking at the benefits of solid wall insulation alone as a measure¹¹ under the Flexibility Option we can see how this will dramatically improve targeting for the fuel poor and the ability to remove them from fuel poverty.

We have attempted to estimate the effect that solid wall insulation delivered through the Flexibility Option would have in removing householders from fuel poverty. However, in doing so we have not been able to access all the information that would be required to carry this out as robustly as we would like. Therefore we would request that Government either provides the detailed information required to do this or publishes their own impact assessment.

The propensity to be fuel poor in a property with a cavity is less than 5% yet this doubles to 10% of all those who live in solid wall properties – a doubling in the effectiveness of targeting the fuel poor. For those in off-gas, private households with a solid wall and qualifying for the Priority Group as the Flexibility Option is currently formulated the propensity to be fuel poor will be far higher than this. We have used 10% as a proxy at this time.

The average saving for each of those that benefit from solid wall insulation will be around £414 per annum¹². The cost of heating a home in an off-gas area ranges between £205 to £1580 per annum for space and water heating¹³. Anecdotal evidence would suggest that such a saving could be expected to remove the majority, if not all if they claimed all their entitled income benefits from fuel poverty.

If a 10% Flexibility Option cap and a generous translation factor were used this could result in a total amount of around £150 million¹⁴ being available for solid wall insulation. This could therefore account for 5,000 households being removed from fuel poverty by this means alone. As the targeting of those with a propensity to be fuel poor will be better than the proxy used for our analysis then

¹⁰ BRE 'Detailed Breakdowns of Fuel Poverty in England in 2004', April 2006, DTI Website. Table 41.

¹¹ We have used this simple proxy as our concern is to increase the number of installation of solid wall insulation. However, if Government looks more closely at this overall and includes the other measures and the increased targeting that those eligible for the flexibility option will bring this will demonstrate the flexibility option is even better than that stated within this response.

¹² Consultation document, Table 5.

¹³ <http://www.energysavingtrust.org.uk/housingbuildings/calculators/hardtoreat/heating/>

¹⁴ However, this will be affected upon what cost is set for solid wall insulation.

we would expect a far higher number of householders to be removed from fuel poverty.

However, even with a lower Priority Group share and changes to the Priority Group Flexibility Option the PG target will still be challenging to deliver. Therefore to assist in delivering the programme as cost-effectively as possible the following initiatives should be considered:

- Further interventions in the Private Rented Sector to incentivise or regulate landlords to have cost effective measures installed. At the moment there is no incentive for either tenants or landlords and this is resulting in this tenure not receiving an 'equitable' amount of measures.
- Assistance in targeting those on benefits from those with the data such as the Department of Work and Pensions and the Department of Health.
- All scheme managers and insulation installers are reporting that it is becoming increasingly difficult and costly to generate referrals amongst the priority group and that a contributory factor is the lack of awareness amongst the public of the benefits of insulation. Therefore a well funded, joined up, overarching marketing programme promoting the benefits of insulation is needed to supplement referral generation activity. This needs to be considered by Defra alongside key delivery partners including scheme managers, the insulation industry and the Energy Saving Trust.
- Work on how the implementation of Energy Performance Certificates (EPC's) can be best utilised to encourage landlords and householders to have cost effective measures installed. Due to the time that it will take for sufficient numbers of EPC's to be delivered Government cannot rely heavily on these to make a major contribution to the cost effective delivery of measures to the PG.

3. Innovation Activity

We believe that the innovation options under CERT - Demonstration Activity and Market Transformation Activity will be central to not only delivering this programme cost effectively but also in preparing the delivery industries for the Supplier Obligation Post 2011. **We are disappointed that although the scope of innovation has been widened to include more options, the opportunity in terms of carbon savings has remained the same in absolute terms and halved in percentage terms compared to EEC2. We feel that this does not reflect Defra's desired aim and hampers long term carbon saving and that the cap should be increased to 10%.**

We recommend setting individual caps for the different types of innovation activity to ensure that the benefits of both approaches are realised. It will not be helpful if all of the benefits are used within one particular type of innovation to the maximum cap to the detriment of the other. It is also a concern

that this could be used for non-technical measures such as energy advice. Whilst accepting that Defra and the suppliers will wish to trial this approach the risks if too much focus is placed in this area will be the lack of actual measures in households which will have the real carbon impact. We also reiterate our view that if any form of energy advice is to be trialled then carbon savings should only be allowed for face-to-face advice as indirect advice such as leaflets and other methods such as telephone advice will not have any significant impacts (as work by the Energy Efficiency Partnership for Homes has proven).

It is absolutely vital that there is both the opportunity for technical innovation to encourage further development of technologies such as those applicable to solid walls, and that there is sufficient incentive to ensure that the solid wall market is transformed from one with an extremely large potential to one which is ready to significantly contribute to the Government's carbon saving targets in the future.

There are a number of other insulation measures which could potentially benefit from such activity including under floor insulation. However, unless the amount of activity that is allowed is doubled to 10% there will be very little opportunity for such measures to benefit from CERT.

The total GB potential for solid wall insulation solutions is around 6.75m homes according to the BRE's Domestic Energy Fact File (2006) which provides data for 2004. We believe this to be the most realistic estimate currently available¹⁵.

Figures are not yet available for the level of solid wall activity undertaken in EEC2 so we have used EEC1 as an example as anecdotal feedback indicates that the numbers achieved in EEC2 will be very similar.

Overall there were 15,800 external solid wall installations carried out and 1,500 internal solutions in the Priority Group. In the able to pay sector, the numbers were 5,800 and 600 respectively. It is our belief that almost all of this consisted of social housing and that about half the properties were flats.

Therefore we can see that the number of properties that have benefited from this measure is tiny when compared to the potential. At current rates it will take over 100 years to insulate all the solid wall stock. Therefore a dramatic step change and true market transformation is required in this sector.

This market transformation is also vital to the future of the insulation industry which has grown to deliver energy/carbon savings via the installation of cavity wall and loft insulation at the encouragement of Government. Government have already stated they wish for all the remaining potential for these measures to be

¹⁵ In March 2004 the Energy Efficiency Partnership for Homes published 'Insulating Solid Walls' which claimed that there were nearly 10 million homes which would require a solid wall solution, including those with a cavity construct which was not suitable for CWI; it considerably overestimated the number of empty cavity walls that could not be filled for technical reasons.

fulfilled by 2016-2020, it is therefore vital that the solid wall market is transformed to provide a future for our industry. If this is not achieved during the CERT period then the future of our industry is at substantial risk which would be an extremely negative development for the UK Plc. **The targets which need to be reached for an effective Supplier Obligation Post 2011 will not happen unless the solid wall market is transformed in advance. Therefore successful market transformation during the CERT period is vital to the Government in achieving its future carbon and fuel poverty targets.**

In addition, even if a lower Priority Group target is adopted then we will still be at a point by 2011 where the vast majority of the potential for cost effective measures to be delivered to the Priority Group will have been realised. Therefore the solid wall industry will need to be transformed before this time so that it is ready to move to a mainstream industry in relation to delivery.

We propose that there should be a specific Market Transformation uplift for solid wall insulation to help build the infrastructure, skills and capacity required. How this uplift will be administered is important - it should not be overly complex or bureaucratic as this will reduce the attractiveness to suppliers.

Alternatively, under EEC the rules were that if a measure had been carried out under an earlier stage of EEC then it could not be claimed under innovation activity. As one of the key issues under the new procedures as envisaged is to encourage market transformations then we believe this to be far too restrictive. A calculation could be proposed that covers where for example less than one percent of the total market potential has been delivered under the EEC and where that measure has a considerable carbon saving potential if adopted.

At the moment solid wall insulation is not cost effective as a measure and as an industry we are extremely sceptical as to the assumed prices and costs provided in the final Illustrative Mix. However, with sufficient market penetration then we will be able to explore how the scale of economies will affect the industry and maximise such benefits. **Transformation uplifts specifically for solid wall insulation will help to overcome this lack of cost-effectiveness in the short term and provide the kick start in mainstream delivery of these measures which is required.**

4. Whole House Approach

Since the start of EEC the insulation industry has repeatedly called for a whole house approach to the cost effective delivery of insulation measures and we remain extremely disappointed that there has still been almost no progress in this area. Indeed, the lack of proposals in this area within the consultation have confirmed our concerns.

We believe that first and foremost in order to ensure a move is made towards a whole house approach and the precedent for this is set for all future development, no renewable energy heating and electricity generation should be installed until all cost effective insulation measures have been professionally installed. However, due to administrative difficulties an exception should be made where such measures are sold direct by retailers e.g. B&Q and wind turbines. **With Government now stating that they expect CERT and successor schemes rather than the LCBP to help encourage the uptake of microgeneration measures then this must be adopted.**

The next central focus should be ensuring 100mm loft top-ups are carried out where these are installed at the same time as cavity wall insulation. Under EEC there is the unhelpful scenario of cavities being insulated but 100mm loft top-up in the same property being left undone as these are not sufficiently cost-effective for suppliers. Under CERT this will apply to loft top-ups over 60mm (with the administrative changes proposed) and **specific assistance is required to ensure that these loft top-ups are carried out.**

In a paper we provided to Government last year¹⁶ we estimated that each time a loft top-up is not undertaken alongside the installation of cavity wall insulation, it results in an avoidable cost of between £85-£130 to go back and undertake the loft insulation at a later date.

The risk in providing an uplift for a whole house approach is that it will result in two minor measures, draught proofing and light bulbs for example, being installed together and receiving an uplift despite not providing a real benefit to consumers or generating significantly higher carbon savings.

We therefore suggest that a combination approach is adopted where more than one measure must be installed but that the total carbon saving for the household from the combination of measures must be around 20%. It will be important that such a whole house approach excludes any measure which qualify for other uplift factors and it should only be applied to the current cost-effective measures. **Alternatively, a simple uplift for loft top-ups where they are installed with cavity wall insulation could have the same result.**

The benefit to UK Plc of adopting such an approach in relation to loft top-ups over 60mm is that it removes the additional cost of acquiring and incentivising such households that will inevitably be borne by energy consumers at some time prior to 2016-2020. Whilst the EEC was incredibly cost effective in realising carbon savings at each stage of the scheme the key structural weakness that needs to be addressed in CERT is that there was no way it could reflect the

¹⁶ National Insulation Association: 'Encouraging a Whole House Approach on Energy Efficiency and Addressing "Lost Opportunities"', 2006.

additional cost savings which could be realised in the longer term, via a whole house approach being adopted, specifically in relation to 100mm loft top-ups.

We support the work that Government is currently undertaking to establish whether EPC's could assist in the delivery of CERT and the Supplier Obligation through encouraging a whole house approach. This will be aided by ensuring that there is a mechanism to direct customers who require insulation measures to those who can provide these.

However, due to the delay in implementing EPC's, the fact that they will not be fully rolled out for some time, and that a vast majority of households will not change hands by 2011, we do not feel that they can be relied upon to make a significant impact within the CERT period.

Therefore a short term solution is required to ensure that the lost opportunity (loft top-ups with cavity wall insulation) under EEC is not allowed to continue in CERT.

5. Miscellaneous Issues

There are a number of other non specific issues in relation to this consultation which are discussed below:

Biomass Stoves and Boilers

Due to the fact that this technology is extremely carbon efficient this could mean that other measures are not installed despite the fact that a thermally inefficient building will still produce extensive 'waste'. Therefore it is our view that Biomass should not be installed until all cost-effective insulation measures have already been installed.

This should be simple to administer as it is similar to the principle discussed earlier in relation to the Low Carbon Building Programme that no renewable energy heating and electricity generation should be installed until all cost effective insulation measures are installed.

Loft Savings and Data Sets

We would reiterate our view that the loft insulation savings are too low and our concerns about the methodology and data that were used to calculate these. These are based upon a collection of weak performance monitoring reports. It is astounding that CIGA research on the effectiveness of existing loft insulation which was based upon real life examination of the technical factors has still not been reflected. Also the arbitrary reduction of loft insulation due to "technical" factors which were inferred from savings where most of the data points were dominated by CWI insulation and a lot of the data was misleading

due to prior under heating of properties.

Rather than reiterate all of our arguments here we would highlight the detailed paper provided by CIGA¹⁷ and once again request that this be considered by Defra in time for the start of CERT. In addition, a statistically rigorous and large scale monitoring programme needs to be undertaken during the CERT period to come to a full and agreed understanding of the savings that should be attributed to loft insulation in future programmes.

Finally, it seems counter productive that the deadweight for professional loft insulation has been increased and yet the same has not been applied to DIY loft insulation. We would be very interested in exploring the reasons for this as our own understanding is that the deadweight attached to this DIY measure are far higher than those outlined. Industry research has indicated that a significant proportion (20%) of DIY loft insulation was not used for EEC qualifying purposes. We are also yet to be convinced that the stated carbon savings for DIY loft insulation are correct and believe these are too generous. We would recommend that the calculations be reviewed urgently.

Rural Equity

We support the moves made to simplify the ways in which carbon savings for individual measures by for example a single harmonized saving for all fuel types and house types for cavity wall insulation. Whilst always supporting less regulation and administrative burden we believe that this may be a step too far. In rural areas there is a great propensity for a solid fuel and electricity solution to heating and therefore the higher costs of such a heating system and the greater amount of carbon generated should be reflected in higher savings.

We are currently exploring the practical effects on delivery of a two tiered approach with a separate carbon saving for those homes using solid fuel or electricity and another for all other fuel types together. We will provide a detailed response to this issue in our response to Ofgem's draft Supplier Guidance.

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¹⁷ Quaester: 'Management Summary Report: Insulate', 2004.