



EFRA Committee Inquiry into Energy Efficiency and Fuel Poverty:

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 and solid wall insulation, loft insulation and other innovative products.

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

We have consulted widely in producing this response and have no objection to its contents being made public.

The Committee will consider in particular the following:

1. Defra's Departmental Report 2008 shows slippage against PSA 7 on eliminating fuel poverty in vulnerable households by 2010, with a rise in the number of households in fuel poverty. Does Defra need to redefine its approaches to ensure it meets the statutory 2010 target?

Yes. To date the focus from Government in dealing with this issue has been to concentrate efforts on the householder rather than the property. Fuel poverty programmes such as Warm Front and the social aspect (Priority

Group) of the Carbon Emissions Reduction Target are poorly focused upon the fuel poor. For example, the extremely low (100,000¹) 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 EEC and CERT demonstrates this point. Around 30-48% of fuel poor households are currently not classified as Priority Group² and the vast majority of the priority group are not fuel poor.

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.

Therefore, it is our view that Government must urgently review the whole basis of the 2010 and 2016 figures for eradicating fuel poverty and demonstrate how this will be met. Fuel poverty is caused by three related factors and these must be dealt with separately and accordingly. Confusing policy mechanisms to try to deal with these separate facets in conjunction has proven to be very uneconomical with poor results to date.

Therefore the three causes of fuel poverty must be approached using different policy mechanisms:

- **Thermal efficiency of housing stock:** This must be tackled by focusing on the housing stock in a logical and coherent manner. Government should set a date for all of the housing stock to reach a certain thermal standard with interim targets. As the Government already has stated that they wish to have all cost-effective insulation installed by 2016-20 this could provide a starting basis, with installation levels increased dramatically. Appropriate policy and delivery

¹ Defra, 'The Energy Efficiency Commitment April 2008 to March 2011: Initial Consultation', July 2006, Page 29

² BRE 'Detailed Breakdowns of Fuel Poverty in England in 2004', April 2006, DTI Website.

mechanisms will also need to be developed for alternative more expensive measures such as for those 9 million households with solid or non traditional wall constructs. With nearly half of all fuel poor households living in properties where a cavity wall is not predominant then it is essential that an approach is developed which allows them to benefit from Government policies. At the moment there are very limited solid wall solutions offered under CERT and none under Warm Front. Such measures are higher cost than traditional measures used to date such as cavity wall insulation, and therefore current policies are limited in what help can be provided, this barrier must be overcome as a priority if the Government is to have any chance of meeting its self-imposed targets for eradicating fuel poverty.

- **Cost of energy bills:** These must be mitigated through social tariffs and alternative means.
- **Income of householder:** This is a key concern and can only be mitigated through fiscal measures.

2. How effectively can policies aimed at addressing the energy efficiency of dwellings tackle fuel poverty, given recent rapid increases in fuel prices, and how can strategies be developed to join up energy efficiency approaches with those on fuel prices and income maximisation?

There has been a great deal of focus on attempting to join up such approaches. However, once the housing stock has been brought up to suitable thermally efficiency levels then this 'corner' of the fuel poverty triangle of causes will be mitigated and more focus can be placed upon other areas.

Therefore, where multiple benefits can be delivered together this is welcome. However, this should not be to the detriment of installing insulation measures. A focus on low income householders has been

greatly evident within the Energy Efficiency Commitment, now the Carbon Emissions Reduction Target. This focus on low income householder has led to a number of problems in delivery and increased the cost of attracting consumers who fit set 'criteria'. Such funding spent on finding consumers means that less is available to actually install measures.

3. Does the UK Energy Efficiency Action Plan 2007³ give sufficient weight to the need to address fuel poverty as well as tackle greenhouse gas emissions through increased use of energy efficiency measures?

This Plan provides a robust and strategic direction. However, until the Government produces a detailed and comprehensive business plan as to when and how the housing stock will be brought up to thermally efficient levels then it is difficult to see how the aspirations as outlined in this Plan can be met.

4. What should be the comparative contribution of government and energy supply industry programmes to achieving fuel poverty objectives, and what levels of investment are required (for example for Warm Front, the Carbon Emissions Reduction Target (CERT) and the Supplier Obligation post 2011)? How can these programmes be better integrated?

Government must focus energy suppliers' financial contributions on bringing the housing stock up to thermally efficient levels and separate the social aspects from the SO post 2011. If this were done then separate policy levers could be incorporated within the social programme to ensure that higher cost measures such as solid wall insulation are undertaken. As such measures are essential to eradicating fuel poverty then this would make a considerable improvement on the current approach.

³ The UK Energy Efficiency Action Plan sets out policies on how the UK will meet the EU Energy End-Use Efficiency and Energy Services Directive target of a 9% energy saving by 2016.

As CERT is now established in legislation then this would prove to be more difficult to amend although we would welcome discussions as to how this could be achieved.

This must be combined with a radical increase in the expenditure allocated to Warm Front to ensure that a package of assistance can be delivered to those who are most in need. At present the grant maxima is too low to ensure a whole house approach, especially as the key focus of Warm Front is now on heating. If a business plan is put in place to have all the housing stock suitably insulated by a set date then this will allow further development of the fuel poverty programmes on the other causes of fuel poverty.

5. What should the longer term strategies be, in particular for those in the social housing sector after Decent Homes⁴, and what role should the energy supply industry have post CERT (post 2011)?

As has been recommended by their own Select Committee the Department for Communities and Local Government must develop a Decent Homes Plus as a priority. The current Decent Homes target has very poor levels with for example only 50mm of loft insulation deemed sufficient despite the fact that current building regulations and recommendations for all other relevant policy mechanisms specify 270mm of loft insulation.

Therefore a far more ambitious Decent Homes Plus which eradicates such illogical levels of thermal efficiency must be instigated.

6. How can we make greater progress on hard to treat homes (for example solid wall properties or those not connected to mains gas supplies)?

⁴ The Government definition of a decent home is one which is dry, safe and warm, has a relatively modern bathroom and kitchen and is in a good state of repair. In 2003 the Government published the Communities Plan which included a requirement for all Local Authorities to bring all of their homes up to the Decent Homes Standard by 2010.

As outlined above the key issue is to tackle solid wall properties. To ensure that the capacity of the solid wall insulation industry is increased to do so then clear direction and certainty that such capacity will be utilised is required. As an industry we have produced a number of papers outlining how this could be implemented. Whilst Government officials have demonstrated an interest in such work far greater priority must be evident from Ministers to ensure that the required policy instruments are implemented.

7. How should smart metering, new technologies and microgeneration be deployed and incentivised in fuel poverty approaches? Is there sufficient scope in current approaches to apply the most appropriate solutions?

Such technologies have a strong role to play in reducing carbon emissions and fuel poverty in the medium to longer term. However, 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 in a property is adopted by all present and future Government policies.

In relation to such measures and others such as smart metering it is essential that any work that is carried out to incentivise such measures does not happen at the expense of installing insulation which should be the prime focus in the retrofit domestic market as this is the most cost-effective way of reducing fuel bills.

8. Is there a problem identifying those who are already, or are at risk of becoming, fuel poor, and how can data sharing across the public and private sector be improved so that assistance can be targeted?

As fuel poverty is a financial definition it therefore takes a full income check to properly evaluate whether someone is classed as fuel poor or not. That is

why for all the relevant schemes such as Warm Front and CERT 'proxies' for fuel poverty are used such as being on relevant benefits.

Such proxies based on householders financial situations, which constantly change, are inaccurate and have a poor correlation to actual fuel poverty. Targeting a particular subgroup of a demographic can be useful, especially politically, however, we strongly believe that in terms of thermal efficiency then the best area of focus is to target all homes that are currently inefficient. Therefore a much more effective proxy would be to focus on those properties that lack insulation, as will be evident in low SAP ratings.

However, in the shorter term we understand that such targeting of individuals, despite the weaknesses, will prove to be a tool that is used by Government. If this is the case then those best placed to identify those on benefits is the Department for Work and Pensions and similar Government departments and bodies. Funds which are spent by Government scheme managers, energy suppliers or our industry in identifying customers who fit a set 'criteria' are funds that cannot be spent on actually installing measures. Such costs could be radically reduced if the insulation industry were provided with access or partnership arrangements to allow the effective targeting of such householders, whilst ensuring that proper controls to ensure the requirements of the Data Protection Act are met, through the use of Government data.

9. What are the specific issues for new homes and how can strategies ensure that all new homes minimise the potential for occupiers to experience fuel poverty?

As the target has now been set for all new build to be carbon neutral by 2016 our industry is heavily engaged with Government and housing developers in exploring how this will be implemented. Due to this we feel

that additional policies or regulations for new build could be detrimental, by confusing an already complicated environment, at a time when rates of new build are reducing rapidly, and would have a negligible effect on fuel poverty. The area where focus is required is existing homes which are extremely inefficient and this is where progress to tackle fuel poverty must be made.

10. How does the Winter Fuel Payment system impact on fuel poverty and could this funding be better utilised to tackle the underlying issues leading to households becoming fuel poor?

Whilst politically very popular the Winter Fuel Payment is an extremely expensive policy which leads to little or no sustained benefit in terms of reducing fuel poverty. Such funds would be far better deployed in ensuring that the existing housing stock is brought up to thermally efficient levels.

One approach to start to implement this would be to allow an individual's Winter Fuel Payment to be used to pay for the installation of insulation measures in their home. This would allow for incentivisation of insulation and would be a very dramatic and successful approach in relation to publicizing the benefits of having insulation measures and increasing awareness. Market research by our own industry and the Energy Saving Trust highlight that there is still a real lack of awareness of the benefits of insulation and that there are a number of myths such as that it costs thousands of pounds to have such work carried out. These must be addressed!