

Subject: Proposal for an Investigation into Home Insulation Schemes

Report Number: 8

Report to: Environment Committee

Date: 8 July 2008

Report of: Executive Director of Secretariat

1. Recommendations

- 1.1 That the Committee carry out a review of home insulation schemes in London with terms of reference as outlined at paragraph 6.2.
- 1.2 That the Committee note the contents of this scoping note as a background to questioning the invited panel.

2. Background

- 2.1 This paper proposes that the Committee conduct a review of homes insulation schemes in London, which would begin at this meeting with an evidentiary session. Representatives from the Energy Saving Trust, British Gas, Lewisham Council and Croydon Council have been invited to attend the meeting.
- 2.2 The purpose of the review would be to hold a public discussion about the benefits of home insulation, examine a range of schemes to boost levels of home insulation, and to make recommendations for future schemes; in particular the scheme outlined as a manifesto commitment by the Mayor, Boris Johnson.

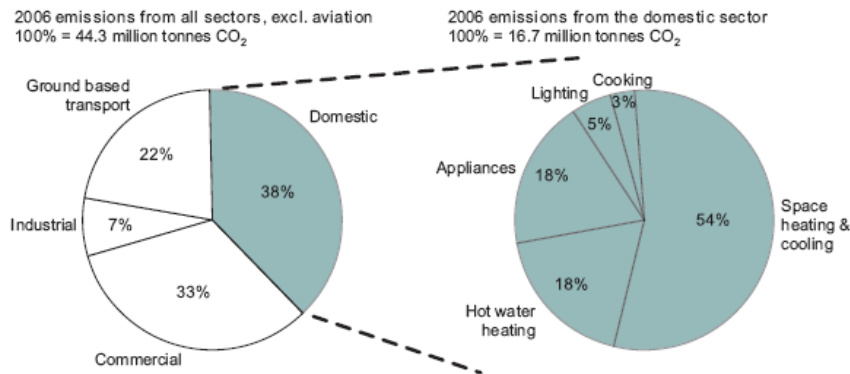
3. Issues for consideration

Domestic carbon emissions

- 3.1 Overall, about 38 per cent of London's emissions come from homes, and of this 73 per cent comes from hot water, and space heating and cooling.¹ Other significant contributors are appliance use, lighting and cooking (see Figure 1).

¹ <http://www.lcca.co.uk/server/show/nav.005001>

Figure 1: CO₂ Emissions from London's Homes



Note Cooling in the domestic sector represents a small component, currently less than one per cent

Source: GLA, The Mayor's Climate Change Action Plan, February 2007

- 3.2 Mayor Johnson has retained the goal of a 60% reduction in CO₂ emissions by 2025. This is a more challenging goal than the national goal of a 60% reduction by 2050, and therefore will require significant effort from the Mayor to achieve. The Mayor has a manifesto pledge to use council tax rebates to boost home insulation rates.

Central Government context

- 3.3 Carbon Emissions Reduction Target (CERT) is the main programme to provide funding for carbon emission reductions in existing homes; it is estimated that the programme will lead to a £2.8 billion investment between 2008 and 2011. This programme places an obligation on energy suppliers to reduce the carbon emissions of householders. Forty per cent of CO₂ savings must be made in the homes of the elderly or people with low incomes. CERT is the basis of funding for both the previous Mayor's home insulation scheme and the current Mayor's proposed scheme.
- 3.4 The Government has recently doubled the CERT obligation on power suppliers (compared to the 2005-08 scheme). It therefore continues to be important that schemes in London based on CERT are effective and enable Londoners take proper advantage of this pool of funding.
- 3.5 A separate government funded Warm Front scheme provides grants to people with disabilities or on low-incomes. This scheme will receive £800 million in funding during 2008-11.
- 3.6 From 2008, under new Local Area Agreements, central Government will measure borough councils on their performance in reducing per capita carbon emissions in their area.²

4. Insulation: an explanation

"Cavity wall insulation isn't expensive, but people don't recognise its value."

Mitesh Dhanak, Eaga Partnership³

- 4.1 Because such a large proportion of a home's CO₂ emissions comes from hot water, and space heating and cooling⁴ it makes sense that increasing the efficiency of this domestic heating should be a major target for reducing London's CO₂ emissions. Insulation is also generally regarded as the first step in decreasing the carbon emissions of a building, as it makes further measures such as renewable energy provision more economically viable and environmentally sensible

² <http://www.communities.gov.uk/documents/localgovernment/pdf/735143.pdf>

³ Green Futures, The Future is Retro-fit, June 2008, p6.

⁴ <http://www.lcca.co.uk/server/show/nav.005001>

4.2 Insulation means:

- *Lower power bills:* Insulation can produce significant savings of around £200-300 (30-50 per cent) off a home's typical annual gas bill. Loft and cavity wall insulation are two of the most cost effective measures that can be taken in existing homes to make them more energy efficient. Solid wall insulation is more expensive, and whilst producing greater savings remains less cost effective. Double-glazing tends to be one of the least cost effective insulation measures.
- *Reduced CO₂ emissions:* Insulation is also one of the most cost effective ways of reducing CO₂ emissions. If all London houses were properly insulated this would save 700 000 tonnes of CO₂ – around 1.6% of London's emissions. Whilst this would be significant, it shows that many other measures will be required to achieve London's 60 per cent target for CO₂ emission reductions.
- *Warmer, healthier houses* for those living in a 'non-decent' home or in fuel poverty. A 2007 survey found that nationally over 2.5 million older people (1 in 5) stay or live in just one heated room of their homes to keep warm and save heating costs. Each year over 25,000 older people lose their lives to a preventable cold-related illness.⁵

Insulation levels in London

4.3 London faces particular challenges in reducing carbon emissions from its existing homes. Compared to the rest of the country London's housing stock:

- is older – older houses are generally less energy efficient and harder to insulate because many have solid walls;
- has more private rentals – landlords must pay for insulation, but do not directly benefit;
- has more flats - insulation usually requires cooperation between residents.

4.4 Numbers of London homes not properly insulated:

Measure needed	Number of un-insulated homes	Average cost per home	Average annual energy bill savings
Loft insulation	154,000	£500	£155
Top up loft insulation	736,000	£500	£45
Cavity wall insulation	872,000	£500	£120
Solid wall insulation	1,772,000	External £4500 Internal £42 /m ²	External £380 Internal £360

In 2006, there were a total of 3.25 million households in London.⁶

4.5 London Climate Change Agency found that over the period of 2002 to 2005 London received less Energy Efficiency Commitment (EEC) funding per capita than other regions (EEC is the immediate predecessor to CERT).⁷ This was one of the major motivations behind the original GLA home insulation scheme. This initial review has found no evidence about the current level of CERT delivery in London.

Timeliness of home insulation as an issue

4.6 The price of household gas and electricity has been increasing well above Retail Price Index inflation for the last few years. At the end of 2007, Gas prices were 42% higher in real terms than

⁵ <http://www.britishgasnews.co.uk/index.asp?NewsID=720&PageID=16&Year=2007>

⁶ <http://www.statistics.gov.uk/STATBASE/Expodata/Spreadsheets/D7678.xls>

⁷ London received 7 per cent of EEC funding between 2002-05 but had 12.5 per cent of the eligible population.

in 2003, and electricity prices 29% higher in real terms.⁸ Then, in early 2008, all the major energy retailers increased tariffs further,^{9&10} and have recently foreshadowed further increases of up to 40 per cent in the near future.¹¹

- 4.7 In 2005, the most recent regional figures available, 120,000 London households were in fuel poverty.¹² However, it is likely that this figure has since risen significantly, in line with an estimated doubling of the numbers of households in fuel poverty nationally.¹³ With the current economic outlook, many more people are likely to struggle to afford soaring energy bills.
- 4.8 This is also a time where various authorities are renewing efforts to boost home insulation. Indications are that any new scheme by the Mayor will take place in early winter and so will be in development over the coming months. The Energy Saving Trust is planning to launch a 'Green Neighbourhoods' competition by the end of the year. This will provide funding for around 100 neighbourhood programmes to reduce their emissions by more than 60 per cent.
- 4.9 Further, later this year the Government plans to consult on energy efficiency policy, including insulation.

5. Options for implementing home insulation schemes

Previous schemes: Lessons learned

- 5.1 Existing schemes to boost the levels of home insulation are largely based on the foundation of CERT funding. Schemes use this funding to provide discounts for 'able to pay' home owners, whilst those in the 'priority group' (low income or over 70) usually receive free insulation. The funding is used to make insulation cheaper in three main ways:
- Straight discount
 - Rebate or cash back (as in the previous GLA scheme)
 - Council tax rebate (as proposed in the Mayor's manifesto)
- 5.2 Schemes differ in how they target households for insulation; whether by advertising, street by street door knocking and assessment, or by targeting neighbourhoods that are 'at risk' of lower insulation through heat mapping or by home age and type. Communication strategies also differ.
- 5.3 Different schemes have a range of levels of coordination between the different agencies involved such as energy suppliers, councils, insulation businesses, and housing associations. Ascertaining effective models of coordination will be particularly relevant to London, given that any scheme will need to involve organisations across the boroughs.

GLA schemes

- 5.4 As part of the Green Homes programme, a scheme was run to give rebate on loft and cavity wall insulation.¹⁴ The insulation scheme had funding from the GLA of around £1.5 million, with another £1.151 million provided for associated marketing. As mentioned above, this scheme took advantage of the CERT obligation and it was carried out in partnership with British Gas. It offered £50 cash back for self installed insulation, and £100 cash back for professionally fitted insulation.¹⁵ Approximately 10 000 houses have been insulated under this scheme so far.¹⁶

⁸ <http://www.berr.gov.uk/files/file45365.pdf>

⁹ <http://news.bbc.co.uk/1/hi/business/4684886.stm>

¹⁰ <http://www.guardian.co.uk/money/2008/feb/07/householdbills.consumeraffairs>

¹¹ The Guardian, Energy bills could rise by 40%, 25 June 2008.

¹² <http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080311/text/80311w0010.htm>

¹³ <http://www.berr.gov.uk/files/file45365.pdf>

¹⁴ <http://www.london.gov.uk/mayor/environment/climate-change/greenhomes.jsp>

¹⁵ Mayoral Approval Form MA3233, July 2007

¹⁶ Answer to MQT 0001/2008, 16 February 2008

5.5 The Mayor pledged in his manifesto to ‘encourage London boroughs to work with energy companies to offer Council Tax rebate schemes to their residents, in order to encourage them to install insulation.’ British Gas list three London boroughs as currently participating in council tax rebate schemes.¹⁷ The Mayor’s manifesto commits to redirecting ‘whatever funding the GLA has allocated for ... advertising the current scheme.’ The investigation will seek to find out how much is available to be redirected or allocated to the scheme and what it is proposed that this money will be used for.

6. Proposed review

6.1 The review will seek to assess previous schemes to encourage home insulation, both within London and in other cities, and draw lessons from these. The review will also examine the Mayor’s plans for a new scheme and make recommendations aimed at significantly increasing the level of home insulation in London.

Proposed terms of reference

6.2 Proposed terms of reference:

- What are the benefits of and barriers to improving the insulation of existing houses in London?
- What have been the strengths and weaknesses of previous insulation schemes and what lessons does this provide for future schemes?
- How will Mayor Johnson’s scheme operate, and how will this fit into a wider agenda to reduce CO₂ emissions from homes?
- What further actions or changes are needed to achieve significant levels of insulation in London, especially for London’s apartment blocks, private rentals and older homes that may present particular difficulties to insulate?

6.3 It is not proposed to include new housing in the review. At this stage, it appears that housing being built currently is well covered by government housing policy, building regulations and other measures such as the ‘Merton Rule’ in the London Plan. Building regulations will require new houses to be 44 per cent more energy efficient than 2006 standards by 2013 and meet a zero carbon standard by 2016.¹⁸ It is also widely noted that 86 per cent of homes are expected to be still in use in 2050.^{19&20}

6.4 It is also not proposed to include social housing in this review as these houses are subject to separate funding streams and targets under the decent homes scheme.²¹

Methodology

6.5 Through looking at alternative schemes for delivering home insulation the review will seek to explore the reasons why people do and do not insulate their homes and build a picture of the links between home insulation and wider measures to reduce CO₂ emissions from homes. It would also be useful to examine any innovations in how schemes are being communicated and catalysing people to take action.

6.6 It will also be important to consider how additional insulation will be delivered in London, compared to national efforts, as part of reaching London’s tougher 60 per cent target. Efforts

¹⁷ Croydon, London Borough of Havering and Richmond upon Thames

¹⁸ <http://www.communities.gov.uk/publications/housing/homesforfuture>

¹⁹ http://www.housingcorp.gov.uk/upload/pdf/Fit_for_the_future_part_2-1_Introduction.pdf p10

²⁰ Brenda Boardman, Home Truths A research report for The Co-operative Bank and Friends of the Earth, University of Oxford’s Environmental Change Institute.

²¹ <http://www.communities.gov.uk/housing/decenthomes/>

will concentrate on the London supply chain, the organisation of schemes in London and the impacts of London's specific housing mix. The investigation will seek to ascertain whether London continues to receive less CERT funding on a per capita basis and, if it does, why.

- 6.7 The investigation will seek to find out how the Mayor will bring together borough councils to take part in his proposed scheme and the views of councils on participating in such a scheme. The review will also seek to find out what the involvement of British Gas (or other energy supply companies) will be in the scheme, how the scheme will be promoted, which energy efficiency measures will be included and the anticipated numbers of insulations and therefore carbon savings from the scheme.
- 6.8 The review will also consider the most effective use of any extra funding to supplement CERT monies either for promotion, subsidy or scheme administration to, for example, improve targeting. Only one scheme has been found that involves high levels of extra funding – this scheme aims to offer free insulation to all homes.
- 6.9 Stakeholder engagement for analysis of options:
- **GLA** - Request written information and hold informal meetings to find out about previous insulation scheme, lessons learned about promoting insulation and any planned changes.
 - **Energy suppliers** – Request meetings to discuss plans for fulfilling CERT obligations in London and particular problems posed for delivering CERT measures in London.
 - **Energy Saving Trust London Office** – hold informal meeting and request written information about benefits, barriers and communication strategies and about activities they are undertaking in London.
 - **Other councils using alternative approaches** to find out about the different approaches taken, what elements are regarded as successful and what drawbacks were encountered.
 - **Environment and energy saving charities** - SEA/Renue, FOE, Existing Homes Alliance, Fuel Poverty Action Group, TIMSA to elicit their views on benefits of home insulation, and the alternative schemes, particularly the previous GLA scheme and the council tax rebate approach.
 - **Landlords and tenants:** National Landlords Association/London Landlords partnership, London Tenants Federation – informal meetings to discuss potential solutions to the split incentive
 - **Finance operators** especially Co-operative Bank and Ecology Building Society: Request information on what support is needed to encourage organisations to offer financial products to ease the upfront costs involved in installing energy efficiency measures in the home.
- 6.10 Stakeholder engagement for implementation of council tax rebate scheme:
- **London Councils** on potential for councils to join a scheme to use council tax rebate as incentive. An informal meeting will be organised with London Councils to discuss pan London organisation and the positions of councils, written information will also be requested.
 - **Councils using tax rebates** – write to Birmingham City, Croydon, London Borough of Havering, and Richmond upon Thames²² to find out about the benefits and problems associated with the approach.
- 6.11 At its 8 July meeting, the Committee will hear from organisations that have experience in delivering home insulation programmes. Representatives from the Energy Saving Trust, British Gas, and Lewisham and Croydon Councils have been invited. This meeting will seek to establish the benefits of insulation and the barriers preventing people from undertaking insulation; the specifics of a London context, for example housing stock and insulation supply chain; and to probe in particular Lewisham and Croydon Councils about the advantages to the different approaches both boroughs have taken.

²² <http://www.britishgas.co.uk/energy-efficiency/products/home-insulation/council-tax.html>

6.12 The Committee may also wish to raise the issue specifically during a planned meeting with the Mayor’s Environmental advisor in September. It is hoped that preceding work will allow the Committee to test a set of recommendations with the advisor.

Added value

6.13 A lot of work is being carried out in this area by a range of organisations including the Energy Saving Trust, Local Government Association, the Existing Homes Alliance and of course the GLA. This project would seek to add value by:

- Holding a public discussion on the benefits of home insulation.
- Providing an independent review of the previous GLA scheme particularly learning why people did and did not take up the scheme.
- Applying knowledge gained by other parties to the specific London context and in particular the need to provide coordination between the different groups involved, the capacity of the home insulation supply chain in London and placing the scheme in the context of the 60% by 2025 target.
- Concentrating on the measures that will be particularly beneficial in London, but have so far proven difficult to tackle – older houses, flats and private rental.
- Having a public debate about the options available for delivering a scheme to insulation London’s homes and how this can best be implemented.
- Making recommendations to the Mayor aimed at ensuring the proposed scheme has maximum impact on reducing CO₂ emissions.

Timetable

6.14 Proposed timetable

Timeline	Dates
Terms of reference agreed Evidentiary hearing	8 July
Written requests for information and informal meetings	July/August
Planned Committee meeting with Mayor’s Environment advisor to include questions on home insulation	2 September
Draft report	September/October
Formal approval	15 October

7. Legal implications

7.1 The Committee has the power to do what is set out in the recommendation of this report.

8. Financial implications

8.1 Any incidental expenses incurred during the completion of this review of home insulation in London will be met from within the existing scrutiny budget of £284,000 in 2008/09.

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