

Bright Blue Green Conservatism project: call for evidence on the Green Deal

Written evidence submitted by ROCKWOOL UK

ROCKWOOL®



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About ROCKWOOL

The ROCKWOOL Group is a leading global supplier of insulation products for residential and commercial buildings. We are the largest producer of stone wool insulation in the world operating 28 factories across three continents, including our UK factory in Bridgend.

ROCKWOOL provides a comprehensive range of insulation products. Our insulation is created from a natural, sustainable resource – volcanic rock – and is 97% recyclable. During its lifetime, a typical ROCKWOOL insulation product will save more than 100 times the energy used in its manufacture.

ROCKWOOL welcomes the opportunity to submit evidence to Bright Blue's Green Conservatism project. Over the course of the EEC, CERT-CESP, ECO and Green Deal schemes, ROCKWOOL has engaged extensively with all key elements of the supply chain and we have an in-depth understanding of the performance of these initiatives which we are pleased to be able to feed in.

Question 1: Why did the Green Deal fail? In particular, what mistakes were made in the design of the finance mechanism and the communication of the scheme?

Our experience of energy efficiency initiatives in the UK suggests four key areas for improvement in performance, take-up and outcomes:

- 1) The financial enablers in place to facilitate the mass take-up of retro-fit energy efficiency measures in the able-to-pay segment have been insufficient. In particular, the high interest rates of the Green Deal of around 7-8%, coupled with repayment periods of up to 25 years, did not prove attractive to householders. Research carried out by Ipsos MORI on behalf of DECC into 'Consumer Needs and Wants for the Green Deal'¹ identified that the cost-effectiveness of the scheme was the largest concern of the participants surveyed, based on the interest which they would be charged on the repayments.
- 2) Despite the efforts of successive governments to address energy inefficiency, there has been an absence of consistent, long-term policies that provide continuity and drive consumer demand. The stop-start nature of schemes such as EEC, CERT-CESP and ECO-Green Deal, and the significant changes to the funding provided for different measures, has led to uncertainty for the energy efficiency industry and a lack of confidence for home-owners and social housing providers.
- 3) Government communication around energy efficiency measures has only partially resonated with the public. The assumption that consumers will be motivated by potential energy bill savings has not always come to fruition, in part because these savings naturally compete in householders' minds with the potential value uplift from other measures – an example being undertaking internal renovations such as kitchen and bathroom refurbishments. However, research has shown that messages around the improved comfort and health which energy efficiency measures deliver can be more effective in driving consumer appetite (see Question 5).

¹ [Consumer Needs and Wants for the Green Deal](#), Department for Energy and Climate Change (Nov 2011)

- 4) The Green Deal did not dovetail with periods at which people are more likely to make improvements to their home, such as the point of purchase. For example, finance was not linked to mortgage interest rates or stamp duty; actors such as estate agents who could promote the energy efficiency credentials of one property compared to another were under-utilised; and policies which attempted to link energy efficiency to other home improvements, such as when buildings were being extended, were scrapped.

Question 3: How should Green Deal-style loans for the able-to-pay sector be financed in the future? Is it necessary for the Government to provide any subsidy to the scheme?

Studies undertaken by Frontier Economics and the Energy Bill Revolution², Verco/Cambridge Econometrics³, the International Energy Agency (IEA)⁴, the Institute for Public Policy Research⁵ and other independent research bodies, show that investing in improving the UK's existing housing stock would not only help to meet carbon reduction targets, but also create substantial numbers of jobs, considerable revenue for the Exchequer, and significant community benefits in terms of health, regeneration and social capital. For example, research by Frontier Economics highlights that a programme to make UK homes more energy efficient would provide net economic benefits of £8.7 billion to our economy.

We therefore urge Government to transform the UK's ageing homes by making energy efficiency a national infrastructure priority. In addition, it is vital that Government policy creates drivers for consumer action, for example through tax incentives. Linked to this, the basic funding mechanisms for upgrading existing homes in all sectors need to be set for a minimum period of 10 years without fundamental change, to provide the stable environment needed for suppliers and consumers to plan with confidence.

In particular, considerable work has gone into developing a range of potential policy solutions for the able-to-pay market, including:

- A financial incentive for house purchasers to improve a building's energy efficiency at a key trigger point. For example, Stamp Duty could be varied based on the Energy Performance Certificate SAP rating of a property, with more energy efficient homes being charged lower rates of duty and vice versa. This proposal can be designed to be fiscally neutral by setting the benchmark to ensure that upward and downward adjustments in SDLT liabilities balance out.
- The provision of Green Mortgages for more energy efficient homes, offering larger loans to borrowers who purchase more efficient houses by taking into account their lower energy bills. A recent study by the Wales Low Zero Carbon Hub and Constructing Excellence in Wales⁶ provided evidence that different home Energy Performance Certificates (EPCs) result in differing energy bills in a property. Furthermore, the difference in the energy bills is sufficiently predictable that it could allow mortgage companies to factor different home energy costs into their lending affordability calculations to reflect different EPC bands, thereby enabling them to lend larger capital sums for higher rated EPC bands.

² [Energy Efficiency: an infrastructure priority](#), Frontier Economics (Sept 2015)

³ [Building the Future: The economic and fiscal impacts of making homes energy efficient](#), Verco and Cambridge Econometrics (Oct 2014)

⁴ [Capturing the Multiple Benefits of Energy Efficiency](#), International Energy Agency, (2014)

⁵ [Up Against the \(Solid\) Wall: What Changes to the ECO Mean for Energy Efficiency Policy](#), Institute for Public Policy Research, (Apr 2014)

⁶ [EPCs & Mortgages - Demonstrating the link between fuel affordability and mortgage lending](#), Wales Low Zero Carbon Hub and Constructing Excellence in Wales (Dec 2014)

Question 4: What lessons do you anticipate from the Bonfield Review about quality assurance in the supply chain? How can these be incorporated into a Green Deal successor scheme?

As recognised by the Bonfield Review, in order to ensure that the energy efficiency improvements made to our homes are both appropriate and high quality, a much more coordinated and structured approach is needed for retro-fitting these measures.

This new approach will require new common standards, codes of practice, training, certification and inspection at each of the key stages of the retro-fit process. There will need to be a formal process, which will create an unbroken chain between the initial assessment of each home, the design of appropriate retro-fit measures, their installation and consumer aftercare.

Central to this process is the principle of an oversight body, which should be set up to manage and administer the new approach and, for each project, the appointment of a 'Responsible Designer' who will be accountable for all stages of the retro-fit process and any consequent matters of redress.

It is vital both that the lessons of the Bonfield Review are implemented before new schemes come online, and that they are married with the operational details of the new ECO scheme and any successor schemes to the Green Deal.

In parallel to this, we must avoid designing schemes which inadvertently fail to drive good quality measures, either through policy fragmentation or through such downward pressure on costs that the integrity of measures undertaken is compromised. Similarly, schemes must be designed to avoid the creation of large peaks and troughs in demand, in order to support a stable pipeline of skilled professionals into the energy efficiency industry. This is particularly vital in enabling the recruitment, training and retention of qualified installers, to ensure that we have the workforce in place to deliver on the aspirations of the Bonfield Review.

Question 5: How can a Green Deal successor scheme be successfully communicated to consumers?

Effective drivers are needed to stimulate widespread interest in retro-fit energy efficiency measures and to promote mass take-up across all housing sectors.

There are two critical parts to this:

- There is need for a mass roll-out of trustworthy, independent guidance to promote wide-scale consumer awareness of the benefits of energy efficiency measures. This should help consumers to understand the link between building fabric and energy usage, both on a household level and at the macro level in terms of climate change mitigation and energy security.
- In addition, the household benefits must be communicated in a way that resonates with householders. A study by the state of Oregon tested different messages around energy efficiency programmes and found that an emphasis on health and comfort was the most effective. Further, we must secure alignment across government and industry messaging around energy efficiency schemes, in order to create clarity of purpose as well as clear signposting for consumers towards schemes designed to support them.