

# Energy Efficiency Partnership for Homes Insulation Strategy Group

## Insulation Summit Paper – Executive Summary

### 1. Background

The Insulation Strategy Group of the EEPfH commissioned ESD to undertake an independent assessment of the insulation industry supply chain in order to identify the options available and roles of the relevant actors to meet the targets of EEC2 and other relevant schemes.

The Energy Efficiency Commitment is a key government policy to achieve energy efficiency targets in the domestic sector, as well as having a role in the eradication of fuel poverty. The overall target for EEC2a<sup>1</sup> is 130TWh. In the domestic retrofit insulation market, almost all the cavity wall insulation and professionally installed loft insulation activity in Great Britain is installed either through the EEC or the Government and Devolved Administrations' fuel poverty schemes.

During EEC1, 791,524 cavities were filled (around 250,000 per annum), mainly in low income households. Of these, 424,454 (53%) were carried over to EEC2a. If the illustrative mix (Defra, 2005) is followed, this means 1,275,546 cavities are left to fill by 2008. If the government's aspirational target of 4.5 million cavities filled by 2010 is to be achieved, this would indicate an additional 3.22 million cavities needing to be filled during EEC2b.

Under EEC1, over 500,000 loft top-ups were carried out, over 225,000 virgin lofts were filled and nearly 16 million square metres of DIY loft insulation was sold. The majority of these energy savings (67% of loft top-ups and 77% of virgin lofts) were carried over to EEC2a, where the illustrative mix suggested that 1,120,000 households would have loft insulation professionally installed and 460,000 would install loft insulation themselves

Draught proofing, external and internal wall insulation are all eligible measures under EEC. Compared to cavity wall and loft insulation however, they made up a small proportion of the total energy savings achieved under EEC1 and it's thought likely that, although in EEC 2a discounts are offered, their total contribution to the overall EEC2a target is likely to be very small.

### 2. Emerging Issues

#### 2.1 Meeting government targets

There appears to be consensus from the supply side, that government targets, although challenging, are achievable. It is imperative, however, that there are **early signals** from government about **EEC2b and EEC post 2011** (in particular: about the energy saving target, the requirement for savings in the priority group and the possibility of carry-over from EEC2a to EEC2b), as this will affect investment decisions now on how best to prepare for the anticipated demand.

Currently, the target for achieving **50% savings in the priority group** is challenging and could potentially **distort the market place**. Some energy suppliers are restricting (or have stopped)

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<sup>1</sup> EEC2 (2005-11) is split into 2 phases: EEC2a (2005-08) and EEC2b (EEC 2008-11). EEC3 refers to an expected EEC programme post 2011

offers available to the 'able to pay sector' as they are ahead of their phased targets in this area and are concentrating efforts on identifying energy savings in the priority group. More co-ordination between the energy suppliers and Eaga, in working with those households who are eligible for a Warm Front grant and who form part of the priority group, was seen as desirable.

**Loft top-ups** were identified as a particular issue at the moment and it was felt that an opportunity is being missed to top-up lofts while other insulation work is being carried out. Under EEC, they are not a cost effective measure (the discount offered by energy suppliers is small) and many felt that there is need for a separate government intervention to address this.

## 2.2 Marketing activities

There are still a number of myths and misconceptions amongst the general public that need to be overcome. There is a need for an independent, overarching **education campaign** that is **sustained and long term** to inform the general public about the benefits of insulation. Endorsement of insulation products by national and local government was also seen as necessary. The majority of those spoken to felt that there is potential for the consumer to be confused about insulation and grants that are available due to the plethora of schemes and actors involved. It was felt that there needs to be a **co-ordinated and coherent marketing** campaign promoting common messages.

**Smoothing demand** for insulation products over the year was seen as one of the main challenges for installers, energy suppliers and those involved in marketing insulation products. Smoothing demand will help overcome many of the other challenges facing the industry, such as retention of trained installers, and will help to increase the number of jobs achievable each year. Some felt that there was a need for specific marketing in the summer or seasonal reductions in prices.

Some of those questioned felt that there was a need for marketing effort, in the short term at least, to be particularly focused on **identifying the priority group**. It was felt that there could be a **potential mismatch** between the needs of energy suppliers in identifying priority group customers and the remit of the EST, which works mainly with the able to pay sector. Concern was expressed that a marketing campaign to raise general awareness could potentially create demand for grants amongst the able to pay sector which is not helpful to the energy suppliers.

## 2.3 Discount offered to the customer and costs in the supply chain

Finally, the role of price was discussed and the discount offered to the consumer. Manufacturers are facing rising energy prices which could lead to pressures on the supply chain. Some of those questioned also felt that low prices offered to consumers for insulation products could potentially devalue them.