

Stern Review on the Economics of Climate Change

Submission from the Insulation Industry

Background

This is a submission to the Stern Review from the National Insulation Association.

The National Insulation Association is the trade association for the fabric insulation industry, covering the major suppliers and installers of cavity wall insulation, loft insulation, draught proofing and flexible thermal linings.

Submission

The Government's Energy White Paper, published in early 2003, set ambitious targets for the reduction of carbon dioxide (CO₂) emissions in the household sector by 2010 - equivalent to 20% of all current household emissions. Insulation – cavity wall, loft and draught proofing – is expected to deliver about 40% of these savings, with cavity wall insulation predominant.

Only one third of all the households with cavity walls have been insulated since the 1970s, so there is great potential. Clearly, a step change in the demand for insulation measures will be required if we are to meet the Government's Energy White Paper commitment to insulate 4.5 million cavity walls in the existing housing stock between 2005- 2010. With over 10 million cavity walls uninsulated, there is plenty to do.

Retrofitting insulation to existing households is a very different proposition to persuading consumers to purchase the most energy efficient version of a product e.g. by changing VAT rates to favour the energy efficient solution. Instead, we need to create a demand for a product that is environmentally and economically worthwhile, but which does not hold intrinsic 'must have' appeal to householders.

The insulation industry, in common with organisations such as the Energy Saving Trust (EST), Green Alliance, and the UK Business Council for Sustainable Development, believes that some form of fiscal incentive is essential if owner occupiers are to be sufficiently mobilised to invest in cavity wall and loft insulation measures on the scale needed.

The incentive could be a rebate of Stamp Duty or Council Tax, given on completion of specified energy efficiency measures. Recent research on consumer attitudes to fiscal incentives by EST has shown that such fiscal incentives would stimulate action from those responsible for their properties and affected by the incentive. Alternatively, the Government could take a regulatory route by amending building regulations via various energy-related Acts of Parliament.

A number of submissions on the need for fiscal incentives for energy efficiency have been provided by a variety of organisations in response to Defra's current review of the Government's Climate Change programme. The insulation industry's own view is that with the right scale of Stamp Duty (or Council Tax) incentive, over 450,000 householders per annum would take advantage of a rebate by installing improved energy efficiency measures. This would go a long way towards meeting the Government's energy saving targets for the household sector (at a time when there are increasing concerns about fuel supply), and lead to improved living conditions and smaller fuel bills for hundreds of thousands of consumers.

In recent years, the Government has focused firmly and acted decisively to address issues relating not only to climate change but also fuel poverty. Home insulation is not only beneficial for the environment, it can also play a major part in helping to alleviate fuel poverty, and as such it is an intrinsic element in the Government's and Ofgem's Energy Efficiency Commitment (EEC) obligations for Energy Suppliers.

Additionally, it should not be forgotten that the Government will benefit from additional taxes from increased energy efficiency activity, e.g. corporation tax, NI employer and employee contributions, income tax and VAT. It should also be noted that, in general, energy efficiency installation can offer a career to people with no starting formal qualifications and that several industries (including heating and insulation) are developing various training packages with the Learning and Skills Council.

Conclusion

The insulation industry is keen to continue to play its part, working with Government and other stakeholders, to help ensure that the progress achieved to date is built-on in the future. Energy efficiency provides a 'win, win' solution – a win for householders and a win for the environment. Home insulation is key to that solution as the Government works to 2010 and beyond – some form of financial incentive is essential to ensure that the necessary investment happens.

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