



# **No More Lagging Behind: Securing London's fair share of insulation funding**

*Irene Fernow (Westminster City Council)  
John Kolm-Murray (London Borough of Islington)*

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## **1. Summary**

Despite having 15% of England's population, less than 5% of jobs funded through the Carbon Emissions Reduction Target (CERT) have taken place in Greater London. With each household required to contribute through their energy bills, Londoners have lost out on millions of pounds compared to other English regions and are effectively subsidising the other regions. This briefing examines the causes of London's shortfall and makes a number of recommendations to compensate for the region's challenges. Fairer distribution of CERT must take place to reduce fuel poverty and carbon emissions across London.

## **2. Fuel poverty in London**

Fuel poverty statistics published by DECC<sup>1</sup> in October 2010 show that 10.8% of Londoners were in fuel poverty<sup>2</sup> in 2008. The Greater London Authority takes into account London's high housing costs and estimated that this figure was actually 24% in 2008<sup>3</sup>. The UK Fuel Poverty Strategy published in 2001 sets the target<sup>4</sup> of eradicating fuel poverty as far as reasonably practicable by 2016<sup>5</sup>. There are currently no reporting requirements for local authorities on fuel poverty figures following the recent disbanding of national indicators including NI187: Tackling fuel poverty<sup>6</sup>. Despite the lack of reporting requirements many local authorities have an ongoing commitment to reduce fuel poverty and will continue to carry out activities through political and local leadership.

In contrast to rural areas, where much fuel poverty can be attributed to the properties not being supplied by mains gas, fuel poverty in London can be strongly attributed to the high proportion of hard to treat properties. London has significantly more hard to treat properties than any other English region, at 71%.<sup>7</sup> Most of these properties are hard to treat due to having solid walls and would therefore be best addressed by solid wall insulation. Inner London, where hard to treat properties are particularly common, contains 4 of the 10 most deprived local authority areas in England. With the regulator Ofgem predicting that energy bills could rise by up to 25% above inflation by 2020 solid walled homes will be increasingly disadvantaged compared to those properties that are easier to treat.<sup>8</sup>

## **3. Domestic energy consumption and climate change**

The Climate Change Act 2008 set legally binding emission reduction targets by the Government for a reduction of 34 percent in greenhouse gas emissions by 2020 and for a reduction of at least 80 percent in greenhouse gas emissions by 2050. The Mayor of London has further set a target for the city to reduce its CO<sub>2</sub> emissions by 60% by 2025. In 2007 London household energy use made up 38 per cent of the total emissions produced by the city compared to 27% nationally<sup>9</sup>. In 2008 100 authorities signed up to National Indicator (NI) 186 'per capita CO<sub>2</sub> emissions'<sup>10</sup> in their Local Area Agreements (LAA). LAA and all NIs have now been dropped by Government but local authorities remain a key player in achieving Government's greenhouse gas emissions reduction targets.

Reducing household energy consumption is central to efforts to mitigate climate change nationally and reduce London's CO<sub>2</sub> emissions and will further help decrease fuel poverty by reducing household energy bills<sup>11</sup>. Not all sectors are well placed to achieve such reductions and household emissions is one of the areas that are expected to be required to go beyond the 80% reduction target in order for the overall target to be met.

#### **4. Carbon Emissions Reduction Target (CERT)**

The Carbon Emissions Reduction Target (CERT) requires all domestic energy suppliers with a customer base in excess of 50,000 customers to make savings in the amount of CO<sub>2</sub> emitted by householders and is one of the key national initiatives to do so. Suppliers meet this target by promoting the uptake of low carbon energy solutions to household energy consumers, thereby assisting them to reduce the carbon footprint of their homes. CERT, the third supplier obligation phase<sup>12</sup>, was introduced in 2008 and comes to an end in December 2012. Under the current obligation domestic energy suppliers are required to save a total of 293 million tonnes of CO<sub>2</sub>. CERT is funded through a levy on the end users' utility bills for gas and electrics, to be £61 per household by 2012<sup>13</sup>.

CERT-funded measures must be approved by OFGEM who administer the scheme and approved measures must demonstrate an ability to reduce CO<sub>2</sub> emissions when used in an average home. To date utilities have predominantly focused on the deployment of the most cost-effective measures with the highest attached carbon saving such as loft and cavity wall insulation. A CERT update from Ofgem in February 2011<sup>14</sup> show that 61% of CERT CO<sub>2</sub> savings have been achieved through insulation and 26% from lighting<sup>15</sup>, this translates to 1,412,524 cavity walls 1,743,104 loft insulations (excluding DIY) and only 35,815 solid walls to date.

Whilst full details are not yet available the Energy Company Obligation (ECO) is expected to succeed CERT in late 2012, in tandem with the Green Deal programme.

#### **5. The causes of London's CERT shortfall**

London receives less CERT funding than any other region, according to a report recently published by the Energy Saving Trust (EST). The report is based on data from the Home Energy Efficiency Database (HEED) (Q8) and provides an update on the number of reported lofts and cavities insulated under CERT<sup>16</sup>. The figures show that out of a total of 1,911,677 insulation measures undertaken in England only 91,368 of these were in London, this is substantially lower than neighbouring regions and the five local authorities with the lowest insulation rates are all in London (see Appendix 1).

Low CERT expenditure in London can be attributed to a number of factors such as the nature of the housing stock, access, ownership and parking.

##### **a. Wall type**

Loft and cavity wall insulation currently attracts the majority of funding under CERT and these measures are frequently not suitable for London homes. Although there are opportunities for cavity wall insulation in London, many homes were built before 1964 and hence 57% have hard-to-treat solid walls. Solid wall insulation rarely attracts energy supplier funding therefore areas with high levels of solid walled properties lose out significantly on CERT funding.

##### **b. Flats**

London has a high proportion of flats, which are harder to retrofit, with just under 1 million purpose built flats and almost 400,000 converted flats<sup>17</sup>. There are several issues with works to flats such as the requirement of scaffolding, coordinating works between several parties and the allocation and management of funding between the able to pay and the priority group. The issues around leasehold law remain to date relatively unexplored but are likely to present the greatest challenges of retrofitting

flatted buildings as most leases only allow for repairs and maintenance and are silent on the issue of improvements such as added insulation. In the absence of a legal review of this matter additional support for freeholders and leaseholders is required to tackle common parts of flatted buildings and a mechanism or obligation on the utilities to fully fund blocks of flats in the private sector would enable further CERT funding to be allocated in London.

### **c. Access and parking**

Access and parking can be limited and costly and is acknowledged as a barrier to delivery and a disincentive for contractors to carry out works in London. A requirement for London to receive a proportional share of supplier obligation funding would require suppliers and their contractors to overcome these barriers.

### **d. The private rented sector**

20% of households are privately rented in London compared to 12% nationally<sup>18</sup>. Properties in the sector are in worse overall condition than in other sectors (social housing or owner occupied), are poorly insulated and often house vulnerable families<sup>19</sup>. The private rented sector has historically been hard to tackle due to the split incentive between landlord and tenant i.e. the landlord pays for any improvements but the tenant benefits from the saving from any installed energy efficiency measures through reduced fuel bills. Increased CERT activity in London providing part funded or fully funded measures under could help overcome this barrier and thus lead to reduced CO<sub>2</sub> emissions and further alleviate fuel poverty.

### **e. Conservation areas**

It is estimated that around half of all dwellings in English conservation areas are in London, with 80% of these in Inner London boroughs<sup>20</sup>. With internal wall insulation and external wall insulation on the rear of buildings this need not be a barrier to insulation when the right skills and techniques are utilised and energy and conservation professionals work together.

### **f. Community Energy Saving Programme (CESP)**

CESP was designed to finance longer payback measures such as solid wall insulation in the 10% most deprived Lower Super Output Areas (LSOAs) in England and Wales and 15% most deprived in Scotland but typically finances only around £15 per tonne of CO<sub>2</sub>, an amount generally inadequate to cover the cost of insulation measures in London. The cost of achieving CO<sub>2</sub> savings in Westminster, for example, is estimated at £1,200-£1,500 per tonne of CO<sub>2</sub>. Other London boroughs have found CESP to be uneconomic and it will remain so without significantly greater funding.

Ofgem revealed in May 2011 that, despite London having 18% of the most deprived LSOAs in Great Britain, only 4% of schemes took place there during 2009 and 2010<sup>21</sup>.

## **6. Making CERT fairer for London**

The future of the supplier obligation post CERT is as yet unclear but the Government confirms that a new obligation will be put in place. The obligation on utilities to make savings in the amount of CO<sub>2</sub> emitted by householders is paid for by the householder. To date London has received a very limited amount of the funding available despite Londoners paying the same as households in other regions and some form of ring-fencing of any future schemes is required. Despite having 15% of

the population of England, less than 5% of CERT jobs were carried out in London (see Appendix 1).

If utilities were required to spend a fair share of the monies by region the scheme would not only be fairer for consumers but it is likely that there would also be an increase in the spend on hard to treat measures such as solid wall insulation. Increased spend on hard to treat measures would have the added benefit of contributing to the development of the market, drive innovation and provide economies of scale.

Funding which can be used to improve the thermal efficiency of the London housing stock has the potential to mitigate climate change through reduced energy consumption to heat and cool homes in the summer which would also assist Londoners in fuel poverty.

Increased allocation of current and future supplier obligation funding for London would enable London local authorities to reduce fuel poverty and carbon emissions. With such a high proportion of hard to treat homes in London measures will have to be taken to ensure Green Deal take-up, since the higher cost of carrying out the measures in such properties will make the offer less attractive and mean that costs outweigh savings.

## **7. Recommendations**

We call for the following:

1. Increased delivery of funded insulation measures in hard to treat housing through the Green Deal and Energy Company Obligation.
2. A regional energy supplier obligation for London. This should deliver insulation funding to London at a minimum of the same proportion as its population although additional funding could be provided to compensate for historical disadvantage and as a reflection of the high number of hard to treat homes.
3. A mechanism for funding whole private sector blocks.
4. Area-based insulation programmes for Inner London to overcome its particular challenges. These should aim for economies of scale to reduce the cost of insulating hard to treat homes and could be delivered by larger energy supplier contributions to CESP or similar.

## APPENDIX 1

Notes: CERT totals are for 2008-2010 and from Energy Saving Trust (2010)

Household numbers are those for 2008 from DCLG projections to 2033 (2010)

'Outer Ring' is defined as all local authority areas bordering Greater London

CWI = Cavity wall insulation    LI = loft insulation

Borough	Households	CERT CWI no.	CERT CWI (%)	CERT LI no.	CERT LI (%)
<i>City of London (not counted)</i>	7000	n/a	n/a	n/a	n/a
Camden	103000	1459	1.42	216	0.21
Hackney	90000	459	0.51	465	0.52
Hammersmith & Fulham	76000	134	0.18	471	0.62
Haringey	98000	389	0.40	1031	1.05
Islington	87000	706	0.81	328	0.38
Kensington & Chelsea	85000	245	0.29	160	0.19
Lambeth	126000	1988	1.58	1319	1.05
Lewisham	115000	942	0.82	1825	1.59
Newham	92000	267	0.29	1793	1.95
Southwark	124000	474	0.38	666	0.54
Tower Hamlets	93000	372	0.40	301	0.32
Wandsworth	126000	420	0.33	1807	1.43
Westminster	120000	71	0.06	145	0.12
<b>INNER LONDON</b>	<b>1335000</b>	<b>7926</b>	<b>0.59</b>	<b>10527</b>	<b>0.79</b>
Barking & Dagenham	68000	907	1.33	2038	3.00
Barnet	137000	1296	0.95	3031	2.21
Bexley	93000	1776	1.91	3081	3.31
Brent	98000	2117	2.16	2914	2.97
Bromley	133000	3157	2.37	4590	3.45
Croydon	146000	1864	1.28	3730	2.55
Ealing	124000	981	0.79	2218	1.79
Enfield	117000	874	0.75	2876	2.46
Greenwich	97000	737	0.76	1741	1.79
Harrow	86000	1060	1.23	2238	2.60
Havering	96000	2241	2.33	4165	4.34
Hillingdon	102000	2009	1.97	2900	2.84
Hounslow	92000	879	0.96	1733	1.88
Kingston upon Thames	68000	853	1.25	1425	2.10
Merton	87000	451	0.52	1788	2.06
Redbridge	101000	654	0.65	2698	2.67
Richmond upon Thames	83000	536	0.65	1455	1.75
Sutton	82000	829	1.01	1859	2.27
Waltham Forest	91000	558	0.61	2655	2.92
<b>OUTER LONDON</b>	<b>1901000</b>	<b>23779</b>	<b>1.25</b>	<b>49135</b>	<b>2.58</b>
Brentwood	30000	1740	5.8	1038	3.46
Broxbourne	36000	1556	4.32	1269	3.53
Dartford	39000	915	2.35	1426	3.67
Elmbridge	54000	1414	2.62	1483	2.75
Epping Forest	52000	1740	3.35	1388	2.67
Epsom & Ewell	29000	777	2.68	894	3.08
Hertsmere	40000	1668	4.17	1341	3.35
Mole Valley	35000	1275	3.64	1310	3.74

Reigate & Banstead	55000	1484	2.70	1939	3.53
Sevenoaks	46000	1593	3.46	1624	3.53
Slough	48000	2135	4.64	1408	3.06
South Bucks	26000	1165	4.48	1178	4.53
Spelthorne	39000	1402	3.59	1407	3.61
Tandridge	33000	1167	3.54	1231	3.73
Three Rivers	35000	1248	3.57	1413	4.04
Thurrock	64000	2169	3.39	1580	2.47
Welwyn Hatfield	45000	1760	3.91	1093	2.43
<b>OUTER RING</b>			<b>AVE: 3.66</b>		<b>AVE: 3.36</b>
<b>GREATER LONDON</b>	<b>3236000</b>	<b>31705</b>	<b>0.98</b>	<b>59663</b>	<b>1.84</b>
<b>SOUTH EAST</b>	<b>3480000</b>	<b>134241</b>	<b>3.86</b>	<b>128460</b>	<b>3.69</b>
<b>EAST OF ENGLAND</b>	<b>2406000</b>	<b>83434</b>	<b>3.47</b>	<b>103461</b>	<b>4.30</b>
<b>ENGLAND</b>	<b>21731000</b>	<b>864220</b>	<b>3.98</b>	<b>1047457</b>	<b>4.82</b>

## APPENDIX 2: CERT-FUNDED INSULATION JOBS IN LONDON MAPPED

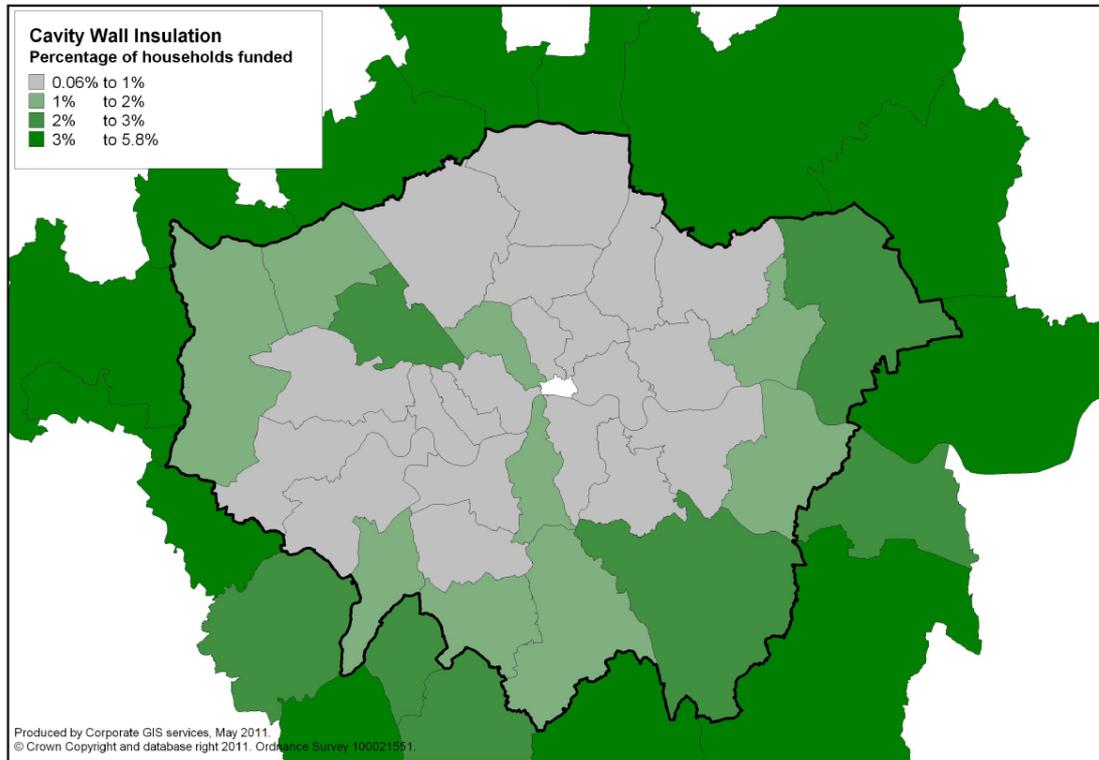


Fig 1. CERT-funded cavity wall insulation jobs 2008-2010: London and environs

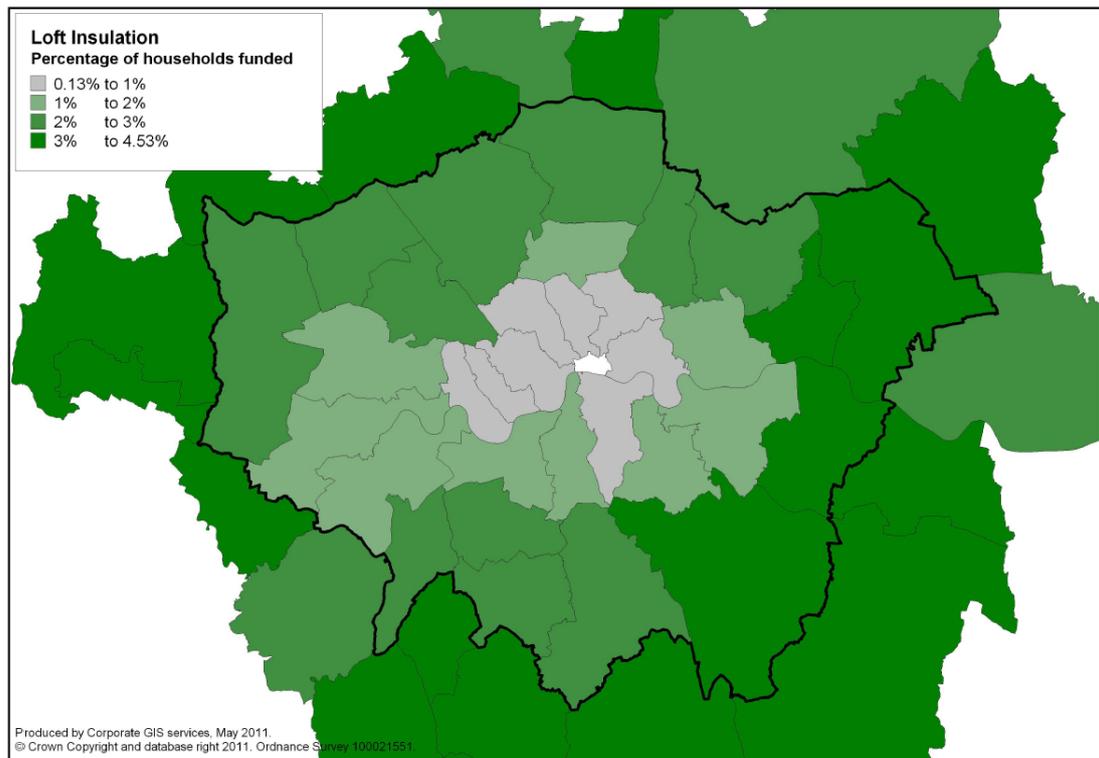


Fig. 2. CERT-funded loft insulation jobs 2008-2010: London and environs

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- 1 , Trends in fuel poverty, England: 2003 to 2008. DECC. [http://www.decc.gov.uk/en/content/cms/statistics/fuelpov\\_stats/fuelpov\\_stats.aspx](http://www.decc.gov.uk/en/content/cms/statistics/fuelpov_stats/fuelpov_stats.aspx)
  - 2 A household is said to be in fuel poverty if it needs to spend more than 10% of its income on fuel to maintain a satisfactory heating regime (usually 21 degrees for the main living area, and 18 degrees for other occupied rooms).
  - 3 Fuel Poverty in London: Figures and tables illustrating the challenge of tackling fuel poverty, July 2009  
<http://legacy.london.gov.uk/mayor/publications/2009/docs/fuel-poverty-jul09.pdf>
  - 4 The Government intends to initiate an independent review of the fuel poverty target and definition before the end of the year.
  - 5 The interim target of eradicating fuel poverty by 2010 amongst vulnerable households was not meet.
  - 6 Prior to NI 187 reporting was carried out annually by local authorities under the Home Energy Conservation Act 1995 (HECA) in 2005 which required local authorities to report on domestic energy efficiency improvements.
  - 7 A study of Hard to Treat Homes using the English House Condition Survey. Part 1: Dwelling and Household Characteristics of Hard to Treat Homes. BRE, 2008 [http://www.bre.co.uk/filelibrary/pdf/rpts/Hard\\_to\\_Treat\\_Homes\\_Part\\_1.pdf](http://www.bre.co.uk/filelibrary/pdf/rpts/Hard_to_Treat_Homes_Part_1.pdf)
  - 8 'Ofgem publishes a comprehensive review of Britain's energy supplies'. Ofgem press release, 09/10/2009.
  - 9 'Britain's CO2 emissions could be cut by 80%', Daily Telegraph, 27/11/2007, <http://www.telegraph.co.uk/earth/earthnews/3316111/Britains-CO2-emissions-could-be-cut-by-80.html>. 38% of London's total CO2 emissions in 2006 came from domestic consumption
  - 10 Letter from DCLG to Local Authority Chief Executives, 17/11/2008, <http://www.communities.gov.uk/documents/housing/pdf/1149883.pdf>
  - 11 Programmes top reduce household energy consumption: Fifth report of session 2008-09, House of Commons Public Accounts Committee, February 2009. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmpubacc/228/9780215526618.pdf>
  - 12 The original Energy Efficiency Commitment 1 (2002-2005) required all electricity and gas suppliers with 15,000 or more domestic customers to achieve a combined energy saving of 62 TWh and in the Energy Efficiency Commitment 2 (2005-2008) energy saving targets were raised to 130 TWh suppliers, and here suppliers with at least 50,000 domestic customers (including affiliated licenses) were eligible for an obligation.
  - 13 'Paving the way for a Green Deal'. Department of Energy and Climate Change, June 2010.
  - 14 <http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/CU/Documents1/CERT%20Q9%20Update.pdf>
  - 15 Please note that low energy lighting is no longer a qualifying measure under CERT
  - 16 CERT report from HEED by region Energy Saving Trust. <http://www.energysavingtrust.org.uk/business/Business/Information-centre/Homes-Energy-Efficiency-Database-HEED/CERT-reports-from-HEED/CERT-report-from-HEED-Q8-by-region>
  - 17 Pan-London Homes Energy Efficiency Programme: Overview Presentation. London Councils.  
<http://www.londoncouncils.gov.uk/London%20Councils/Capital%20Ambition/5DRCustomerInsightPresentation23Sept2009.ppt>
  - 18 Housing tenure of Households, borough, Greater London Authority (Aug 2010). <http://data.london.gov.uk/datastore/package/housing-tenure-households-borough>
  - 19 Minimum Energy Efficiency Standards for Private Rented Homes, Friends of the Earth (Aug 2010)  
[http://www.foe.co.uk/resource/briefings/private\\_rented\\_homes.pdf](http://www.foe.co.uk/resource/briefings/private_rented_homes.pdf)
  - 20 Bottrill, C. 'Homes in Historic Conservation Areas in Great Britain: Calculating the Proportion of Residential Dwellings in Conservation Areas'. Environmental Change Institute, University of Oxford. Aug. 2005.
  - 21 Ofgem's Report on the Community Energy Saving Programme (CESP 2009-2012, to 31 December 2010. Ofgem, May 2011.