

EMBARGOED UNTIL 12 NOON ON WEDNESDAY 21ST OCTOBER 2009

Greenprint for a National Energy Efficiency Retrofit Programme: Jobs, Growth and Reduced Energy Costs

By Joseph Curtin

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Introduction

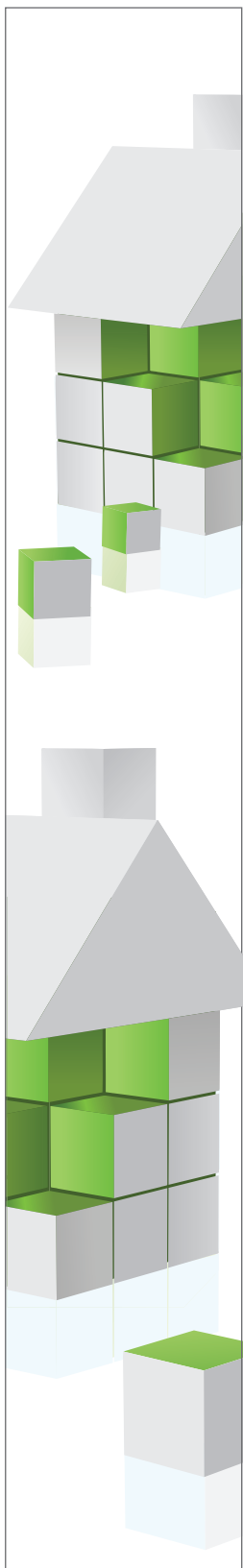
This report from Dublin think-tank the Institute of International and European Affairs examines the challenges and opportunities associated with a National Energy Efficiency Retrofit Programme to make comprehensive improvements to approximately 1.2 million homes – mainly those built before 2002 – of the estimated 1.6 million occupied residential properties in Ireland.

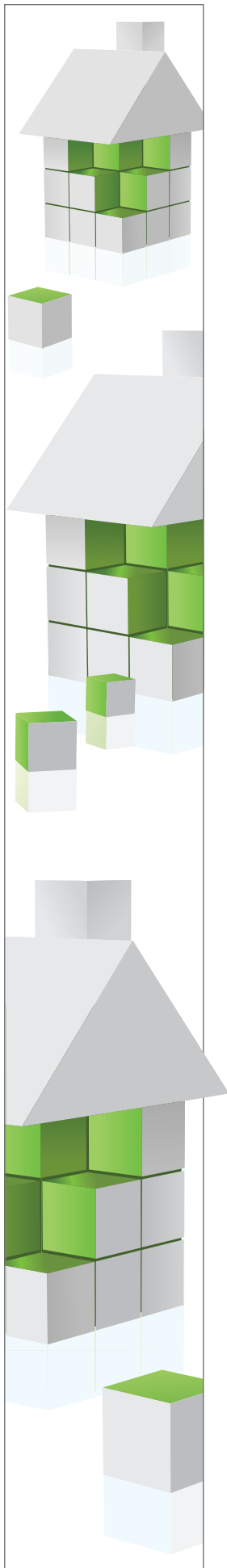
It concludes that the required investment of €14.5 billion would, in the midst of an economic crisis, create tens of thousands of jobs in the hard-hit construction sector, while addressing the profound challenges of energy security and climate change. For more than a million households the result would be a warmer, greener, more valuable home – with drastically reduced energy bills.

The 62-page report also looks at options for rolling out and financing the scheme – some of which are included in the Renewed Programme for Government 2009 – and concludes that it could be completed at low or no cost to the exchequer. It does however stress that more detailed exploration of these options is required.

Summary of key findings:

- Approximately 1.2 million homes could be upgraded to a benchmark C1 Building Energy Rating within 12-15 years through individually tailored packages including substantially improved wall and attic insulation, double glazing and a more efficient boiler and lighting
- The average householder would save around €1,100 a year
- More than 30,000 construction sector jobs created
- Emissions from the residential sector – currently about a quarter of Ireland's CO₂ footprint – cut by 40% against 2005 levels
- Major contribution to cutting emissions for the entire domestic sector, which also includes agriculture and transport - where reductions are "very difficult"
- Achievable at low or no cost to the exchequer.





Challenges

To succeed the programme will have to overcome the factors that have so far discouraged property owners from investing in improved energy efficiency.

The key obstacles are:

- High upfront costs
- Homeowners' reluctance to prioritise long-term savings over short-term expenditure
- Differing priorities of landlords and tenants
- Shortfall in reliable information about improving energy efficiency
- Uncertainty about the benefits
- Shortage of certified and experienced contractors/energy service providers
- Inconvenience associated with retrofit work
- Difficulty in co-ordinating homeowners to act collectively to bring down costs

Key principles

A clear case exists for effective government action to bring about investment in an energy efficiency programme, with all the advantages that would bring.

To maximise the benefits to consumers, businesses and society at large, the programme should be underpinned by the following principles:

- The programme must be focused first and foremost on the needs of the customer
- It must address the needs of the owner-occupier, rented and social housing sectors
- The programme should be guided by a long-term strategy and vision but flexible and responsive to new information and technologies
- The improvement work should be increased incrementally to allow time for the industry to upskill
- Contractors/energy service providers must be encouraged to provide a wide range of services to customers and to deliver comprehensive retrofits rather than partial fixes
- Transaction costs – such as back office support, contractor certification and marketing – must be minimised
- While kept to a minimum, government funding should, where necessary, be provided on a stable, reliable basis and used to leverage the maximum amount of private capital.

Costs and timescales

- Approximately 1.2 million homes would potentially benefit from an energy efficiency upgrade to C1 on the BER
- The work would take an estimated 12–15 years (rather than 85 years at current levels of investment)
- The annual investment requirement would be €1 billion–€1.5 billion
- The overall cost of the programme would be approximately €14.5 billion.

Benefits

- Create 23,000–32,000 direct new 'green' jobs in the construction sector
- Additional indirect and induced jobs
- Exchequer benefits from reduced social welfare heating payments together with increased tax revenue from income, VAT and company profits
- The average energy bill would be reduced by €1,100 in 1.2 million households – about €1.4 billion in total per annum
- Fuel poverty could be markedly reduced
- A cleaner, greener country, better insulated from the effects of energy shortages and price spikes
- Political benefits from taking bold and innovative action
- Emissions from the residential sector, which currently account for about a quarter of Ireland's CO₂ footprint, could be cut by 40% compared with 2005 levels
- Major contribution to meeting emissions reduction target to be set for the entire domestic sector, which also includes agriculture and transport – where reductions are expected to be "very difficult".

Options for government action

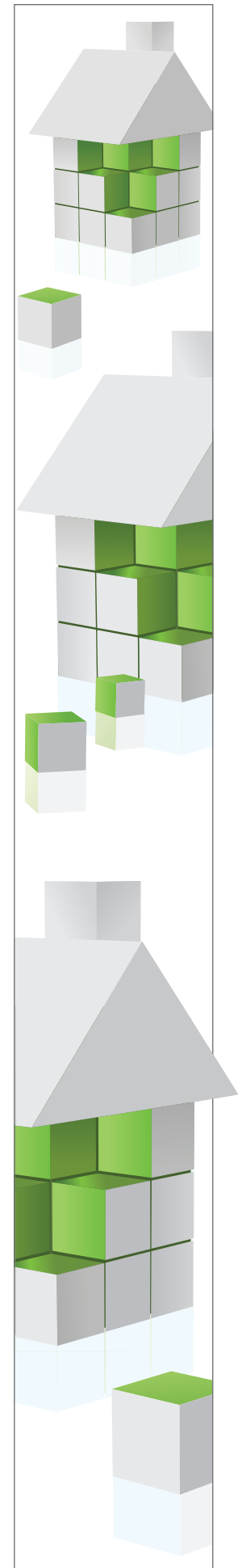
A range of options exist for the rollout and financing of a National Energy Efficiency Retrofit Programme for the residential sector, several of which are included in the Renewed Programme for Government 2009. Given the potential cost and complexity of implementing a programme, it is likely that a combination of these measures and others not included in the Programme for Government would be required.

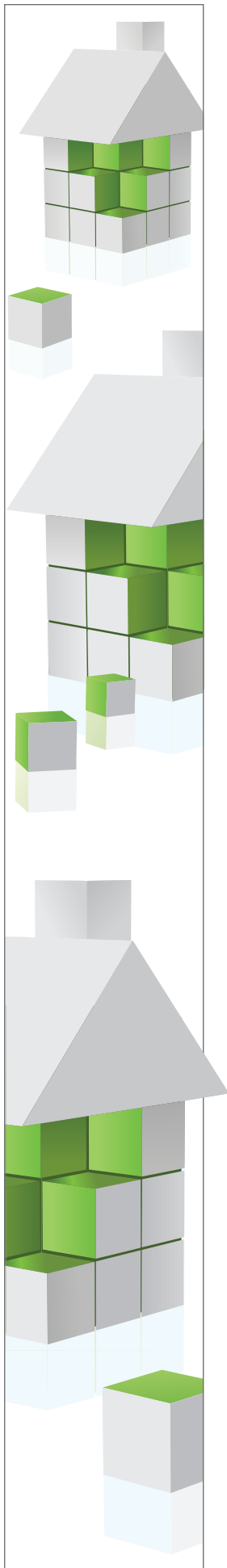
Option one

- A demand reduction target or 'utility obligation' of the type currently the subject of Department of a Communications, Energy and Natural Resources (DCENR) consultation and included in the Renewed Programme for Government 2009. Energy providers would be required by government to reduce customer demand for energy in line with the objectives set out in the NEERP.
- Energy companies would commission a new breed of independent Energy Service Companies (ESCos) to approach householders offering efficiency retrofits.
- Financing would be provided by utilities to willing customers and would be repaid by way of a premium charged on customers' energy bills, ie a 'pay as you save' scheme of the type included in the Renewed Programme for Government 2009.
- Standard-setting, quality control, consumer protection and verification of savings would be ensured either through direct government oversight or the appointment of a programme manager subject to government or regulatory review
- Costs to the exchequer would be minimal but energy companies may require favourable financing through a government-established 'green' bank or 'green' bonds issue. They may also require an element of risk sharing by government.

Option two

- An efficiency levy on energy bills, which is also under consideration as part of the DCENR consultation. Energy supply companies would be required to charge customers a premium, either as a standing charge or added to the unit rate charged for electricity or gas. The capital raised would be pooled in a fund and bid for by ESCos or otherwise made available to finance energy efficiency retrofits.





Option three

- Regulatory measures such as a government-set minimum BER compliance standard for property owners wishing to sell or rent. In the private rental sector in particular, a minimum BER standard may be necessary to address a reluctance by landlords to invest in efficiency measures when they are not paying the energy bills.
- Alternatively, softer regulatory measures such as the recalibration of stamp duty (or the proposed property tax) to reflect the energy performance of a building might be considered. Softer measures are likely to be less disruptive to the property market and therefore perhaps offer more promise.

Option four

- Expand the grants scheme run by Sustainable Energy Ireland using proceeds from the carbon tax proposed for Budget 2010 in the Renewed Programme for Government 2009. Government investment in the social housing stock in particular would over time reduce the exchequer's liability for energy bills.

Conclusion

These options are not mutually exclusive. Significant promise is presented by an energy demand reduction target designed to achieve the ambitions of a NEERP and combined with a 'pay as you save' type scheme. However regulations and grant-aided programmes are likely to be necessary as supplementary measures to address specific market segments. Further research is required into the costs, benefits and financing of options.

The report's author, Joseph Curtin, Senior Researcher at IIEA, commented:

"Bold action today will save tens of thousands of construction workers from the dole queue and drastically reduce energy bills in more than a million homes.

"Simultaneously it will help prepare Ireland for what will be two of the biggest challenges of the 21st Century, climate change and energy security.

"Throw into the equation that all this can be achieved at low or no cost to the exchequer and you have a compelling proposition."

About IIEA

The Institute of International and European Affairs is a policy research think-tank and forum based in Dublin. Founded in 1991 it is a registered charity and independent of all political, economic and social interests.

Corporate and foundation members include many of the country's leading companies and organisations. Among individual members are former heads of state and senior figures from the political world, government departments, the judiciary, business and academia together with trade unions and NGOs.

The Institute has been actively following the development of EU climate change policy and its implications for Ireland for a number of years and launched a report on the implications of EU climate policy for Ireland entitled 'The Climate Change Challenge' in September 2008.

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