

# Insulating Britain

Examining the barriers and motivations  
to decarbonising our homes

Niamh O Regan

**SMF**

**Social Market  
Foundation**

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## ABOUT THE AUTHOR

### **Niamh O Regan**

Niamh joined the SMF research team in August 2021. Since joining the SMF Niamh has primarily worked on projects relating to education and skills and Net Zero. She is also interested in migration, security and the UK-EU relationship.

Prior to joining the SMF, Niamh worked in higher education and had conducted research on nuclear issues. Niamh holds an MA in Intelligence and International Security from King's College London, and a BA in Politics, International Relations and Irish from University College Dublin.

## EXECUTIVE SUMMARY

### **Current policies are insufficient for decarbonising home heat**

- Home heat accounts for 14% of the UK's carbon emissions and is a key area for decarbonisation. This will involve using cleaner energy sources, but also reducing demand. Insulation has a critical role to play, minimising heat loss and preventing us needing to put on the heating at all.
- Government support for home energy efficiency measures was cut in 2012, prompting a substantial decline in insulation rates.

### **Understanding drivers and barriers to insulation is necessary to design better policy**

- Economics, information, attitudes and capacity are all recognised as barriers to insulation.
- In this report we seek to understand how these barriers vary between different types of household and property through focus groups with landlords, owner occupiers and private rental sector tenants so as to identify more effective and targeted policy approaches.

### **The most important differences in barriers and motivations to decarbonise are between owners and landlords**

#### **All groups share low trust in the insulation industry**

- Past negative experiences with insulation have severely damaged trust: owner occupiers and landlords alike are wary of cowboy traders and being overcharged.
- Mistrust is further heightened by uncertainty over where to find reliable, detailed and unbiased information on what insulation to install and who should install it.

#### **Regulation is the biggest motivator to get landlords to insulate, but regulatory uncertainty is the greatest barrier to them taking action**

- Uncertainty around the future of minimum energy efficiency requirements prevents some landlords from insulating. They are not keen on investing early only to find they have to meet another requirement down the line.
- At the same time, minimum energy efficiency standards have proved to be the greatest motivator for landlords; they will take the steps necessary to insulate their properties if they have to in order to rent them out.

#### **Homeowners tend to insulate in spite of economic incentives, not because of them**

- Homeowners are increasingly persuaded of the benefits of insulation, especially in light of rising energy bills.
- Home comfort and health concerns are the most persuasive motivators, especially for older people looking towards retirement and those with young children.

- By contrast, homeowners are less likely to be motivated by cost savings, which are less salient than the up-front cost. They are also stymied by uncertainty over their options and the difficulty of finding trustworthy, reliable suppliers.

### **There are a number of things governments can do to increase trust and convenience, and to nudge or push property owners towards insulation**

Improving energy efficiency of British homes will not be free, but several of the steps do not have to be expensive. Existing energy efficiency and insulation schemes already have set amounts earmarked for their usage, but this money will only be put to good use if the public knows about the schemes and take up is maximised. Similarly, independent information on energy efficiency exists, but ensuring it is easy to find and well communicated is what will make the difference, and at minimal cost to the exchequer. Finally, regulation can be a powerful tool to improve standards in private homes, and government shouldn't shy away from using it.

### **Overcoming the trust and information barrier will be necessary for other policies to have an effect – local governments should take the lead**

- 'One stop shops' providing information on types of insulation, national and local support schemes could help consumers navigate the market.
  - Almost half of survey respondents (47%) said that their local authority would be the organisation they would trust most to offer such guidance. Trust in local authorities to deliver the programme was also higher among segments of the population who are traditionally more sceptical towards energy efficiency.
- Local authorities should also publicise 'success stories', demonstrating the benefits of insulation to a range of types of properties and consumers.
  - 80% of survey respondents said that such testimonies would make them more likely to insulate their home.
- Installers should be accredited by government and/or a trade body, to assure consumers of quality of work, reliability and trustworthiness.
  - 84% of survey respondents would feel more confident in installing insulation if the tradesperson had been accredited.

### **Regulation is needed to push landlords to insulate their rental properties**

- Government should return to the plan to raise the Minimum Energy Efficiency Standard (MEES) for the private rented sector to an Energy Performance Certificate (EPC) rating of C. Government inaction on this is actively deterring landlords from making energy improvements.
  - 79% of landlords actually agree with raising the MEES to a C in the next few years.
  - Raising MEES to a C would save the government money through reduced costs and pressures on the NHS, and be beneficial to the wider economy with every £1 spent on insulation returning £3.20 in GDP.

- Making efficiency improvements tax deductible from landlords' rental income could help with faster upgrading of energy efficiency in the PRS. However, this risks undermining the point of introducing a higher MEES in the first place, and sets a concerning precedent for unnecessary concessions on environmental policy.

### **Owner occupiers need to be nudged into making their homes more energy efficient**

- Messaging should emphasise the health and wellbeing benefits to better capitalise on two prime motivators for owner occupiers.
- This information should be deployed with checkpoint prompts at key moments such as renovations or gas safety checks, to keep insulation top of mind and gently nudge owner occupiers towards undertaking greater insulation measures.
  - 70% of our survey respondents said they would appreciate such prompts.
- A firmer push for owner occupiers would be to introduce a MEES for all properties sold. This would mean that owner occupiers would need to invest in measures such as insulation before their property went on the market. Requiring the MEES at point of sale would give owner occupiers an opportunity to recoup the cost of the insulation in the sale price, but it would be unpopular.
  - A MEES for owner occupiers was met with stronger resistance from survey respondents, with almost a quarter (23%) disagreeing and 44% feeling that if a MEES was introduced, there should be an exemption for properties that need extensive renovation.
  - Hesitancy to this was strongest among segments of the population who were concerned about the fairness of the transition, and the removal of personal agency from decision making.
- Finally, to support owner occupiers to cover the cost of energy efficiency work, particularly when they are not eligible for government schemes, the government should introduce new financial products with long payback periods, such as Property Linked Finance (PLF). Through a PLF system, the financing for energy efficiency works is tied to the property, rather than to the homeowner. This means that when a property is sold, the remaining financing cost is sold with it and taken on by the next homeowner.
  - PLF divides opinion. 38% of respondents would not use PLF to fund energy efficiency works to their home, and 23% do not know if they would. As a relatively new concept to the UK, it may take some time for people to see PLF in action and become comfortable with it.



## CHAPTER ONE – THE CURRENT POSITION

In the UK, home heating accounts for 14% of total carbon emissions.<sup>1</sup> In large part this is due to the fact that the vast majority of homes are heated with fossil fuels, but also because our homes fail to retain heat. A typical British home loses a third of the heat produced by a central heating system through poorly insulated roofs, walls, floors and windows.<sup>2</sup> Britain's homes are the worst at retaining heat in Europe, losing heat three times faster than many of our neighbours.<sup>3</sup> This means we have to burn even more fuel to keep our homes warm, releasing more and more carbon into the atmosphere and hiking up fuel bills in the process.

The UK is gradually moving away from carbon intensive home heating sources such as gas and oil boilers and towards low carbon renewable heating sources, such as heat pumps. This will contribute significantly towards decarbonisation of homes, but we know that it will take time to complete. In the meantime, we can still make progress by ensuring that our existing heating systems run as efficiently as possible. We need to reduce demand for energy by better retaining the heat we already have. The best way to do this is by improving the fabric and heat retention ability of a property, such as through improved insulation.

### **Decarbonising home heat has long-term benefits for households...**

Decarbonising home heat will have a positive effect on carbon emissions and air pollution, but the benefits stretch much further. Effectively insulating a home can make it more comfortable even before turning on the heating, improving basic living standards. When heating is turned on, a home better able to retain heat will need to use less fuel to bring it up to the desired temperature, bringing down consumer bills in the process. Citizens Advice estimates that bringing all UK homes up to an Energy Performance Certificate (EPC) rating of C could save consumers £24bn on energy bills by 2030.<sup>4</sup>

Warm homes also have a positive knock-on effect on health, particularly for children and vulnerable people. BRE Group has estimated that poorly insulated, badly heated homes cost the NHS an estimated £540m every year.<sup>5</sup> Citizens Advice estimates that insulating UK homes to EPC C could save the NHS £2bn by 2030, as it would reduce levels of cold-related illnesses such as asthma, strokes and heart diseases.<sup>6</sup>

### **...and for government**

As well as the cost to the NHS, poorly insulated homes cost the government money in financial support for fuel and heating costs. Between October 2022 and March 2023, the government spent £33bn helping vulnerable families stay warm through the colder months of the year.<sup>7</sup> With winter energy bills this year set to remain high, and without any certainty of the future of gas prices, government may need to spend this money every year if the insulation situation does not improve.<sup>8</sup>

As well as saving the government money in the long run, ensuring a house is well insulated better helps to prepare it for switching to low carbon heating. While many low carbon heating sources can work well despite poor insulation, insulation optimises the efficiency of low carbon heating systems such as heat pumps. Acting on insulation before switching over could make for a more seamless process.

### **Decarbonising home heat has become politically difficult**

As described in our first report, the political salience of decarbonising home heat is now at a height.<sup>9</sup> The combined climate, gas and cost of living crises means that the financial and environmental costs of heating a home are becoming more apparent. Yet just as the necessity of the transition has become clearer, it has become more politically challenging.

In the second half of 2022 the political will to decarbonise seemed stronger than it had been for some time. The 2022 Autumn Statement announced an energy efficiency taskforce alongside £6bn in energy efficiency funding.<sup>10</sup> This was followed with the announcement of the Great British Insulation Scheme (then ECO+) starting from April 2023 to help a wider range of homes benefit from government grants.

Even so, there were limits to the government's political ambition. The start of the Great British Insulation Scheme was delayed until September 2023 and in that same month the Prime Minister turned the UK's plan for net zero on its head with changes to key driving policies. The energy efficiency taskforce was disbanded, mere months after it was set up. Additionally, a plan to raise the minimum energy efficiency standard of private rental accommodation, which likely would have required insulating, has also been cut.

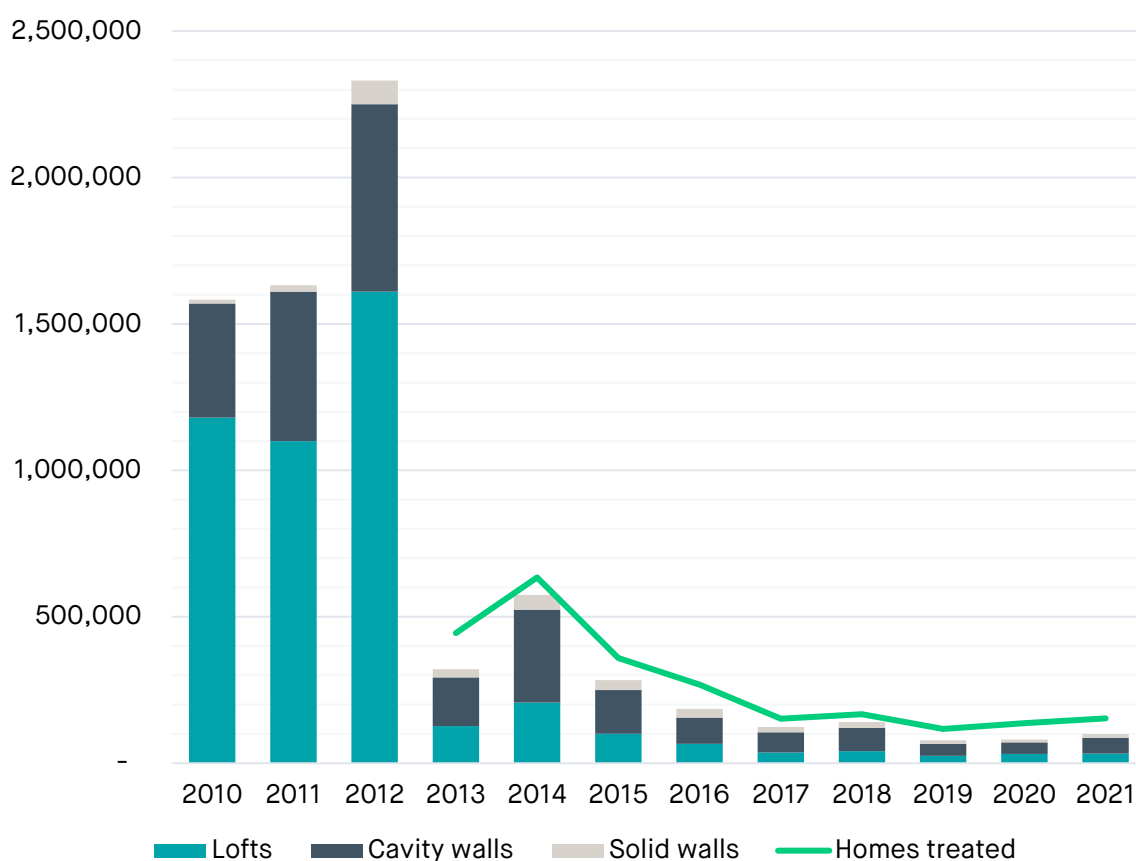
### **Existing schemes are not matching up to past ones and are not decarbonising Britain's homes fast enough**

The desire and need to decarbonise home heat in the UK is not new. Following the introduction of energy efficiency schemes such as the Carbon Emissions Reduction Target (CERT) and the Community Energy Savings Programme (CESP), in the early 2010s the UK was on an upward trend with home insulation. However, following government cuts to these schemes in 2012, the rate of insulation plummeted and has not yet recovered. One of the criticisms of CERT is that, owing to the broad eligibility of the scheme, many homeowners who arguably could have afforded to adopt some of the measures without the scheme had them installed for free or at a lower cost. As a result, the public may have adopted an expectation that insulation should be cheap.

**Box 1: UK government energy efficiency programmes**

**Carbon Emissions Reduction Target (2008-2012)** was government scheme that required energy companies to make a set target of carbon savings.<sup>11</sup> Targets were achieved through improving the energy efficiency of domestic customers homes, through for example insulation, heating changes and lighting changes. CERT was available to all customers, but a proportion of all reductions had to come from low-income households.<sup>12</sup> While the initial phase of the scheme was quite broad and included DIY insulation measures, as the scheme progressed, professionally installed insulation was given a greater focus. Many energy suppliers established relationships with local delivery partners to put measures in place. By the end of the programme, the combined energy savings achieved were over the target. Insulation contributed to the greatest proportion of carbon savings (66%), and 19% of all domestic properties in Great Britain ended up benefiting from CERT over the course of the scheme.

**Community Energy Saving Programme (2009-2012)** was a government scheme designed to improve the energy efficiency of Britain's homes in the most deprived geographical areas.<sup>13</sup> As with CERT, many measures were eligible. Insulation made up 49% of measures and heating made up 39% of measures. Insulation measures included solid wall insulation, and the programme was regarded as being better at incentivising energy suppliers to treat "hard to treat" homes than CERT.<sup>14</sup> Delivery of the CESP was mixed, with some suppliers doing the work themselves while others only took on the funding model and provided funding to, for example, local authorities, housing associations and third-party agencies.<sup>15</sup>

**Figure 1: Home heat energy efficiency installations 2010-2021, UK**

Source: Climate Change Committee, 2022

The flagship replacement scheme, the Energy Company Obligation (ECO), was available to a smaller number of customers, focusing on low income households, with an aim of reducing fuel poverty. Some of the drop off can be attributed to lower levels of eligibility for replacement schemes. The achievement of good levels of insulation in homes considered to be low hanging fruit, which could be improved with lower cost measures, could also have contributed. However, as recently as 2022, there were still an estimated 3.8 million ‘easy-to-treat’ uninsulated cavity walls, 5.7 million easy-to-treat uninsulated lofts and 7.7 million uninsulated solid wall properties in Great Britain.<sup>16</sup> It is estimated the decision to cut various climate policies, including removing energy efficiency subsidies, has added £2.5bn to UK energy bills over 10 years.<sup>17</sup> An estimated 10 million homes could have received home upgrades had subsidies not been cut, which would have seen them using 15-20% less gas, something particularly notable in recent years where gas has become more expensive.<sup>18</sup> It is also suspected that CERT and CESP may have accidentally led customers to think that insulation measures were cheaper than they are, creating a hesitation among homeowners to spend substantial amounts on insulating their homes.

Schemes that followed CERT and CESP have routinely failed to deliver on the same scale. The Green Homes Grant was described by the Public Accounts Committee as a “slam dunk fail”<sup>19</sup> and the National Audit Office (NAO) concluded that the Green Deal failed to achieve value for money.<sup>20</sup> The one exception to these failed schemes is the Energy Company Obligation (ECO), which is now entering its fourth iteration.<sup>21</sup> The scheme obliges energy suppliers to improve the ability of vulnerable, low income and fuel poor households to heat their homes through measures including insulation and more efficient heating systems, and takes a “whole house” approach to improvements.<sup>22</sup> While consistent, progress is still slow and uptake is lower than it should be. As highlighted in our report *Fairer, warmer, cheaper*, ECO has been limited in its success due to difficulty in identifying eligible households.<sup>23</sup> The government has also recently launched the Great British Insulation Scheme. Different from ECO4, the scheme is available to households with a lower EPC rating (D-G), in specific council tax bands<sup>i</sup>, but does not have an income threshold. It will focus on individual improvements rather than a whole home approach. The scheme only started in September 2023, so we do not yet know how effective it is.<sup>24</sup>

### **The general barriers to decarbonising home heat are well known, but how these vary between different types of property and owner is not**

Our first report on this topic, *Lagging behind*, published earlier this year, showed that many homes could benefit from greater insulation.<sup>25</sup> The median EPC rating of a of homes in England and Wales was still D in 2022.<sup>26</sup> The mean Standard Assessment Procedure (SAP)<sup>ii</sup> rating of private homes in England was 65.5 in 2021, up from 57.3 in 2012, but still behind the mean SAP of the social rented sector (70.1).<sup>27</sup> There is substantial scope for improving these ratings, and with it the energy efficiency of British homes.

Raising these ratings is not without challenges. As described in *Lagging behind*, there are economic, material, informational and attitudinal barriers that can affect the uptake of energy efficiency measures.<sup>28</sup> These barriers will often intersect with each other, which makes addressing them more complex. For example, while the perceived cost of insulation is high, this could be influenced by poor awareness and/or lack of understanding of necessary measures, as well as the genuine economic cost.

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<sup>i</sup> Eligibility is for council tax bands A-D in England, or A-E in Scotland or Wales. Source: <https://www.gov.uk/apply-great-british-insulation-scheme>

<sup>ii</sup> The Standard Assessment Procedure is the methodology used to assess the energy and environmental performance of dwellings, and calculates how much energy a dwelling will consume to delivered a specified level of comfort. Source: <https://www.gov.uk/guidance/standard-assessment-procedure>

Beneath the surface of these high-level themes, there is limited robust, up-to-date evidence on how behaviour may differ within consumer groups and what the nuances of the barriers are. Much research focuses on owner occupiers and there is little understanding of how the experiences of tenants or landlords differ. There is also truly little understanding on what motivates people to install energy efficiency measures. The purpose of this report therefore is to understand how barriers are experienced by different groups.

## Methods

This report draws on evidence and concepts in our first report, *Lagging behind*, and seeks to better understand the different barriers to and motivators for making energy efficiency improvements. It also seeks to design policy solutions that can capitalise on motivation and overcome the barriers expressed. Research was conducted through extensive qualitative analysis, using focus groups and conversations with policymakers as well as quantitative work. As responsibility for social housing lies squarely with social housing providers and there is a long-term plan for improving the energy efficiency standard in social housing, this report focuses on the private sector, through owner occupiers, landlords and private rented sector (PRS) tenants.

## Focus groups

The main body of evidence in this report comes from focus groups conducted with those living in private housing. Our previous report, *Lagging behind*, identified a number of groups that warranted closer analysis: those of different tenure, dwelling type and income.

## Tenure

Much existing analysis of barriers to energy efficiency in the private sector has focused on owner occupiers, with relatively little attention paid to landlords and to private rented sector tenants.<sup>29</sup> Given the poor affordability of housing, a larger proportion of people are expected to remain in the private rented sector than they would in the past, including larger numbers renting into old age. We are therefore particularly keen to understand the attitudes of landlords and tenants towards energy efficiency. Landlords are also in a unique position compared to owner occupiers as they face a minimum regulatory standard that they must maintain in order to legally rent out their property.

## Dwelling characteristics

Analysis of SAP and EPC ratings data indicates that efficiency varies more by dwelling age and property type (that is, whether the property is detached, semi-detached, a flat and so on) than household characteristics.<sup>30</sup> For that reason, we are interested to see how strongly these factors had influenced decisions to insulate, or not.

## Income

While income was not a significant factor influencing the energy efficiency standard of a property (with similar number of homes with poor EPC ratings across the poorest and wealthiest deciles), we are keen to understand how affordability varies across income groups.<sup>31</sup>

Over the course of spring 2023, we conducted five 90-minute, in-depth focus groups with 38 members of the public. As we were primarily interested in how experiences varied by tenure type, the groups were split as follows:

- Private sector landlords with insulation installed
- Private sector landlords without insulation installed
- Owner occupiers with insulation installed
- Owner occupiers without insulation installed
- Private sector tenants with a mix of insulation statuses

Taking into account other factors that affect EPC and SAP ratings, each group had a mix of dwelling types, property ages, and incomes. As policy makers we spoke to were keen to understand the differences in barriers between freehold and leasehold and whether existing /absence of debt had any impact on decision making, groups of owner occupiers and landlords also consisted of a mix of freehold and lease hold, as well as those who owned their properties outright and those who had a mortgage.

### Survey

Following the launch of our first report, and having completed the focus groups, we met with a number of policymakers to discuss our findings and explore policy options. We then conducted a nationally representative survey of 1,205 respondents through FocalData. This helped us to firstly establish current understanding of basic energy efficiency standards and then to test reactions to potential policy solutions. Participants were also asked a series of questions to determine where they sat in in the Britain Talks Climate framework so that this could be used to determine how policies should be targeted.<sup>32</sup>

The survey sample was nationally representative on age, geography and gender. The make up of the respondents was as follows: 773 owner-occupiers, 209 private renters, 190 social renters, and 33 Other (rent free / don't know). Of the owner-occupiers, 130 said they were landlords in the private rented sector, in a property different to the one they live in.

## CHAPTER TWO – PUBLIC ATTITUDES TO DECARBONISING HOME HEAT

This chapter draws on the findings from the five in-depth focus groups, with participants of varying tenure types, levels of insulation, income and dwelling characteristics. The focus groups aimed to tease out what the greatest barriers (and motivators) to installing energy efficiency are, and how the nuances of these barriers may vary across different groups.

In our previous work, *Lagging behind*, we highlighted that dwelling characteristics and dwelling age had a greater bearing on the SAP rating of a property than income or household characteristics. As such we thought these groups would highlight significantly different experiences of barriers. While there were some differences, the grouping which showed the most different attitudes to barriers and motivations was tenure group.

### Trust is a significant concern for all groups

#### Trust in industry is low and exacerbates all other barriers

Across all groups the greatest barrier to installing insulation was trust. Past negative experiences with insulation have severely damaged confidence in the trade. Participants referred to cavity wall insulation in particular as being rife with malpractice. Some participants referred to cases where insulation was installed incorrectly, or badly, resulting in damp.

*“when I had my cavity wall installation done, never crossed [my] mind. But within like four or five years I had damp coming through the wall because of they'd basically done a crap job...if I was going to get it done again I'd be very wary” (owner occupier, Medium/large terraced house, pre-1919, some insulation)*

This is a big problem because cavity wall insulation inevitably relies on an element of faith – since wall cavities can't be seen, it is hard to tell if your walls are actually being insulated at all. Even if people can see the insulation, many feel unable to judge what a good insulation job would look like.

*“It's not something you can see. You know, so you can't tell whether they've done a good job or not because you can't see it. You just got to take their take your chances that you've picked the right one.” (owner occupier, purpose built low rise flat, 1981-1999, no insulation installed)*

Participants were particularly wary of being taken advantage of in the current climate, where 'cowboy' installers seem to be offering “too good to be true” insulation schemes. This was worsened by uncertainty around where to find up-to-date, reliable and trustworthy information on government grants and schemes. Those who had not installed any insulation were particularly uncertain of where to look for information, and what resources could be trusted.



*"I definitely am [wary], I think where it's such a big thing at the moment, especially with cost of living. [they might] come in and come and do the job and then not do it properly. And you can't get hold of them again. So we're definitely very wary over having any work done in the house."* (owner occupier, detached house, pre 1919, some insulation)

*"I have no idea where to look [for relevant information]"* (landlord, one property, no insulation)

*"[I've] not got a clue I know that as soon as you do that information [search] it's just going to be loads of adverts, people trying to rob you, so you don't know which site to go on"* (owner occupier, purpose built low rise flat, 1981-1999, no insulation)

*"I think you just have to really, really do your homework now to find out how genuine these companies are."* (owner occupier, purpose built low rise flat, 1919-1944, no insulation)

*"I would be aware that there are obviously some people that aren't going to be as good as others and are looking to kind of take my money"* (owner occupier, small terraced house, pre-1919, no insulation)

These concerns were greatly lessened for those who had connections in the building trade, and could therefore get recommendations of tradespeople, double check quotes, or to find out about government support schemes.

*"I'm quite fortunate in that my dad's a builder, has been a builder for years. My partner is an electrician, so he has quite a few contacts as well. So everywhere we've gone for advice ... has been from people we know and trust."* (owner occupier, semi-detached house, 1919-1944, some insulation)

*"I haven't got anybody who works in the trade, which would be useful."* (detached house, pre-1919, owner occupier, some insulation)

## **Regulation serves as both landlords' greatest barrier, and biggest motivator**

### **Regulation is the biggest motivator to get landlords to insulate, but regulatory uncertainty is the greatest barrier to them taking action**

In 2018, the government introduced the Minimum Energy Efficiency Standards (MEES) Regulation, which sets out a minimum EPC rating for all private rented properties. The standards were introduced with the aim of improving the quality of homes in the private rented sector through increasing energy efficiency, improving comfort and conditions and reducing fuel poverty. As a result of the regulations, all private rental properties in England and Wales must meet a minimum energy efficiency standard of E.<sup>33</sup> Failure to meet this standard means properties cannot (legally) be rented.

While insulation can play a strong role in meeting this standard, measures such as energy efficient lightbulbs, draught proofing and a highly efficient gas boiler can too. Depending on the initial fabric of the property, it can be possible to reach EPC E without installing insulation. As such, some rental properties may not have any insulation at all.

Many landlords we spoke to feel they have done enough for the energy efficiency of their property, and do not see the need for them to install any further efficiency measures (including insulation) as they meet the current legal requirement. They can lease their property, so there is nothing to prompt them to insulate further or at all.

*“For me, it's just legislation, I will keep up with legislation, if I need [to], if I'm forced that way to improve things. But at the end of the day, you don't know how long your tenants going to be in there. So the investment for a tenant maybe who's going to be in there a year, then the next tenant... but where I live, the properties just get snapped up really, really quickly.” (landlord, one property, some insulation)*

*“For me, it's purely about what we legally have to do.” (landlord, 2-4 properties, no insulation)*

*“I would say, my tenants are happy. Until we know what's actually required, I can see little point in trying to do something, when we don't know what the target is.” (landlord, one property, no insulation)*

*“[the property] was built in the 1930s. It hadn't been touched [by] the previous owners, and they'd been there for a long time. So a lot needed doing.” (landlord, one property, some insulation)*

Even landlords who *are* interested in insulating find regulation acts as a barrier. At the time focus groups were conducted, the expectation was that the MEES for PRS properties was set to rise. There was, however, a lack of clarity on when the legislation would come into effect and what EPC rating would be stipulated. Many landlords we spoke to were waiting for this to be set in stone before taking action.

*“we don't really know what that baseline EPC is, but actually, okay, we did that work, and then it doesn't meet the criteria, then what do we do?” (landlord, 5 or more properties, some insulation)*

*“I know the ratings are expected to increase from a D to a C in the next few years. So it is something that we have considered, you know, budgeting for and having to save for. But in the immediate sense we've not done anything or kind of had any incentive to do so.” (landlord, one property, no insulation)*

For some landlords the delay is to ensure that any steps they take will sufficiently meet the requirements and their money would be well (and appropriately) spent. They were not keen on making changes too soon, only find that they should have invested in alternative insulation that would have better met the requirement, and now would be required to raise the same level of investment again. Other landlords we spoke to were waiting to see *if* new standards would be set at all, to avoiding spending money they do not have to.

*“We might be very aware about the government, whoever they are at the time, moving the goalposts as well. You could be spending the money now for it and be not needed. Or spending that money now, and then it turns out, you need to do something completely different” (landlord, one property, no insulation)*

What is clear, then, is that the MEES acts as the greatest motivator for landlords to insulate. All landlords want to be able to rent out their properties, and most will invest in just as much insulation as they need in order to stay in the market. Some landlords who had already insulated their properties did so in anticipation of a higher MEES, feeling it was better to take action sooner, while there are installers available and before costs increase, rather than waiting until everyone is looking for tradespeople.

*"since I've been a landlord, we bought the property in 2012, or became a landlord in 2015, the actual costs have skyrocketed." (landlord, one property, some insulation)*

*"I kind of think well, I've got to do it sooner or later. So when the opportunity comes...may as well just sort of bite the bullet and get it done kind of thing if it convenient rather than hold off." (landlord, 2-4 properties, some insulation)*

### **Payback is a bigger economic barrier than upfront expense for landlords**

When it comes to the economic barriers, some landlords are concerned about the actual financial burden of insulating, where others do not want to pay for something they see as unnecessary.

*"to suddenly say, oh, 'I want' my tenants' bill to go down 20 pounds a month, I'll put 500 pounds worth of insulation in the roof'. No, I won't do it" (landlord, one property, some insulation)*

Many more landlords are concerned about how to recoup the cost of money spent on insulation. Unlike owner occupiers or their tenants, landlords do not get the benefits of a warmer home and lower bills if they insulate their rental properties. Given this, some landlords in our focus groups saw insulation as a cost to them rather with little return, rather than an investment in their property. While they could rationalise spending money on a new bathroom or kitchen, which might allow them to charge more in rent, they do not see how they would get similar return on insulation. The question of how they would benefit (or not), was particularly important for landlords who had not yet insulated their properties.

*"I had a look at my EPC report, there were two recommendations in there... the other was to go to double glazing. And I've already mentioned the potential problems there. The payback time for that was between 33 and 65 years in terms of energy savings. Doesn't seem good value to me." (landlord, one property, no insulation)*

*"if you have got money to spend on the property, voluntarily... I'd probably upgrade the kitchen, I'd probably upgrade the bathroom because I can see a potential return on that, both in terms of maybe an immediate rental increase, or you know, the value of the property. Whereas this is all a bit - I'm not saying that there wouldn't be those benefits to this, but I think it's less obvious" (landlord, 2-4 properties, no insulation)*

*"I think it's what makes sense on what changes can you do? So what little changes can you do that will have the bigger effects, rather than the big changes you could do to not really get much in return?" (landlord, one property, some insulation)*

*“don't necessarily see how you're going to, certainly in terms of rental, easily recoup that outlay” (landlord, 2-4 properties, no insulation)*

*“if you could see a payback, you know, five to 10 years, then, okay, that's a different decision.” (landlord, 2-4 properties, no insulation)*

Some landlords, however, did see insulating a property as an investment. One landlord explained that the energy efficiency of the property is something they would factor in when establishing the cost of the rent, and so would see insulation as an investment rather than a cost. This was not the prevailing view.

*“I see them as an investment in the future ... the price is the price. It's weighing up, whether it's worth doing it and what we're going to get out of it. I sort of weighed up against the rental income and things like that, I'd sort of try and use it as a benefit in some way.” (landlord, 2-4 properties, installed)*

Landlords had some concerns about covering the upfront cost, though this was mostly speculative as they had not investigated how much insulation would cost but had formed their impression on the basis of anecdotes.

*“I think cost could be a very significant factor, if I'm forced to change windows or change or add an external wall insulation, that could be an issue.” (landlord, 2-4 properties, no insulation)*

*“costs would certainly be a consideration.” (landlord, one property, no insulation)*

*“we don't just have 20 grand lying around under the sofa to put into a rental property really.” (landlord one property, no insulation)*

This was particularly an issue for landlords with more than one property, who were concerned that they would not be able to afford to install insulation in multiple properties simultaneously. Most landlords with multiple properties took a staggered approach to home improvements.

In our previous work, we found that the “tipping point” for landlords to invest in insulation, in terms of the extent of subsidy they would require, is higher than of owner occupiers.<sup>34</sup> However, our conversations with landlords suggested that there was more nuance to the picture. Landlords felt that it was difficult to put a set number on what “expensive” would mean for them, as it would depend on what the property needed and, as we highlighted above, the benefit that would come from insulating. For many landlords, the cost of work relative to rent or property value was a more helpful guideline than a set monetary figure.

*“I think three months' rent, that £3000 mark, that kind of then goes off to the expensive bit” (landlord, one property, some insulation)*

*“I would consider expensive, like something like six months' rent, which for us is like 3000 pounds.” (landlord, one property, some insulation)*

Most landlords we spoke to had not used or considered using government schemes to cover the cost of insulation projects. Some had considered it but due to the short-term nature of previous schemes had been caught out by changing eligibility criteria. Others were put off by the fact that they, as the landlord, could not apply for schemes without going through tenants.

*"I think the whole system of grants has also confused everything, especially for me. I thought that my tenants might be able to actually apply for installation, but the grants appear, and then they disappear. And then they have to change their criteria." (landlord, one property, some insulation)*

*"my business partner basically found out about the scheme, told the tenant and helped with the application. And I think it wasn't just the insert, like they did the installation, they did a lot of other stuff as well. And then I think it came to about 20,000 pounds worth of work. And we only had to pay four" (landlord, 2-4 properties, some insulation)*

*"I'm not aware of any funding that might be available." (landlord, one property, no insulation)*

For landlords the question of affordability extended beyond the upfront cost of insulating a property, to encompass associated costs such as housing a tenant elsewhere while work is being done. This concerned some from a sheer practicality perspective, given the shortage of accommodation in the private rented sector. Others were concerned about lost rental income when work was carried out between tenancies.

### **Landlords feel somewhat restricted in their capacity to insulate their properties**

From a practicality perspective, it is easiest for landlords to insulate properties between tenancies. This removes concerns about housing tenants while work is being done, and offers an opportunity to make other changes and renovations. Yet this is harder for landlords with 'good', long-term tenants, who they want to keep on board, and so want to avoid breaking their tenancies.

*"they [government] always forget about the people living there, the quality of their lives, when you have to make major changes" (landlord, 5 or more properties, some insulation)*

*"we tried to do as much as we could right at the beginning. So I guess it would be you know, if we were to take a house in the future, if we couldn't do it at the start, I guess it would be a project to save in between tenancies if you've got long-term, stable tenants, you know it's that weighing up of if they're happy with how things are, are they going to want that?" (landlord, one property, some insulation)*

### Some landlords do feel responsibility for their tenants' comfort, particularly if they have experiences of renting or the property

While a less prominent push factor, some landlords were motivated by tenant comfort and wellbeing. These landlords did see the energy efficiency of a property to be their responsibility. For those that have not installed any insulation, many reported that tenants have not mentioned a need for more insulation. In these cases, landlords often lived in the properties themselves previously and had felt comfortable there. One landlord said they had lived in questionable properties when they were renting and were keen to ensure their tenants did not have similar negative and cold experiences.

*"I think for me, it's very much that I kind of lived in that house and 90% of the time, it was warm through winter, if not too warm. So because I've lived in it, I know, there's no problem with it." (landlord, one property, no insulation)*

*"we felt like, you know, it was our responsibility if there was something we could do to make it better for them." (landlord, one property, some insulation)*

### Homeowners tend to insulate in spite of economic incentives, not because of them

#### Homeowners are increasingly persuaded of the benefits of insulation, especially in light of rising energy bills

Several homeowners in our focus groups mentioned they increasingly felt that their home would benefit from greater insulation, both those who already had some insulation and those who did not have any. Where previously it may have been possible (and affordable) to keep heating on for longer or to keep a thermostat at a higher temperature, rising energy bills have made this very expensive and are causing many owner occupiers rethink their insulation situation.

*"we've got quite a big garden and we spend a lot of time in the garden. So when we had the money to renovate that was going to be our priority. I mean, the inside's ugly and cold. But we could put the heat on when we first moved in now we can't. So we've had to re-prioritise what part of the house we renovate for" (owner occupier, some insulation)*

Many owner occupiers we spoke to understood insulation to be expensive, something which had previously put them off insulating, Yet increasingly high bills had prompted them to consider if insulation could reduce their outgoings. Where before there was a question of if insulation was affordable, there is now a question of whether they can afford *not* to insulate.

*"feels like you might have high energy bills. But yeah, do you want to spend ten grand on installation and then pay that off? Or do you just carry on paying high bills?" (owner occupier, some insulation)*

*"our heating bills at the moment are about to between two and 300 quid a month and have been over since about October, November. So any way we can reduce those down, like to say, it's gonna cost a lot less than that over six months or whatever to them to get a bit of a bit more insulation in the loft. So yeah, it's a no brainer"(owner occupier, some insulation)*



*"It's costing us between 20 and 25 pounds a day to have the heating on for two hours." (owner occupier, some insulation)*

### **Home comfort and future health concerns were often more persuasive motivators for owner occupiers than potential energy savings**

While the potential for cost savings on energy bills has played a role in motivating some people to insulate, it was not always the most persuasive factor. Through turning down thermostats to save costs, or only heating one room, many owner occupiers had increasingly noticed their home's inability to retain heat.

*"when I say my house is cold, like it's freezing all the time. So even like in winter when I got the heating on it's a struggle to stay warm, like, because it's just, it doesn't stay in the house" (owner occupier, not installed)*

Future health and wellbeing has also played a role, particularly for older people, those with children and those caring for more vulnerable people. One owner occupier described his decision to add insulation as a practical one, both in terms of funding, to insulate while his household had two incomes coming in, and before either he or his wife had developed health issues that could be worsened with cold. Those with children were also very conscious that insulating a home and reducing the presence of damp was important for their health.

*"having [to care for] a disabled person he needs to be warm" (owner occupier, some insulation)*

*"the health issues and the health risks of my kids that if there's black spot mould or there's damp, you know what that's doing to my kids? You know, their bedroom is actually the worst room. So that is that's probably what forced our hand a little bit" (owner occupier, some insulation)*

*"so it's my health, so my health's getting worse, I'm nearly 60 now and I'm just getting arthritis. So I need the house to be quite warm." (owner occupier, some insulation)*

### **Despite the motivators, issues with trust and awareness are still salient, as is cost**

Although there are significant push factors as described above, many owner occupiers struggle with determining what insulation to get and who they should get to install it. While they can find information on the different types of insulation available they do not always know which types would be best suited to their property. Many did not know where they could go for detailed and unbiased information.

*"what are the legitimate sources? And are people then getting scammed and spending the little money they do have on poor quality stuff?" (owner occupier, some insulation)*

*"but to gather any sort of information on what else to do. It's really difficult..." (owner occupier, installed)*

There was an understanding that there was information available on government websites, but some of those who had accessed it often they found that it was relatively superficial. Others found themselves overwhelmed with information and were not any clearer on where they should start for their property. For information more tailored to their property, such as establishing which measures are suitable for the home or which would have the best value for money, many felt their only option was to speak to someone with a vested interest, i.e. someone who was selling the insulation to them. As described earlier in the chapter, given past experiences with insulation, many owner occupiers were concerned about being scammed or overcharged.

*“the only advice I have at the minute is from the internet and from someone who's trying to sell me something.” (owner occupier, installed)*

On top of this, the upfront cost of insulation remains more salient than the potential for future lower energy bills. For some owner occupiers, the perceived costs of insulating are too high, which has put them off looking into it any further. For others, the quoted cost of getting work done has historically been too expensive out of pocket to even consider it.

*“I have never got a quote, not looked into it, but I imagine it to be thousands.” (owner occupier, no insulation)*

*“looked at cavity wall insulation, and the cost was phenomenal for my house for whatever reason” (owner occupier, some insulation)*

*“Even if it's the lower element that you know...in the current climate with, with something that you can't physically see or touch, or, you know, it's a big amount of money for anyone really to sort of spend, and maybe get a trickle back of cash each month or each year, it's a big outlay to be to be putting out there. When actually that could be, you know, a variety of other things that is more pressing, either within your property, or, you know, within your social life or so on or children.” (owner occupier, no insulation)*

As with landlords, “expensive” is not a flat monetary figure but is relative. Several homeowners cited expensive as more than 10% of the property value. This did depend on region somewhat given how different house prices can be depending on what part of the country the property is in.

*“I think you know, as a percentage of your property is probably a way of trying to benchmark sort of how beneficial it would be, because, you know, if it's going to cost you, I don't know, even if it's 1% of your property value, that's still going to be certainly in London alone in the thousands. So you just kind of... Yeah, I would just would want to get much more information” (owner occupier, no insulation)*



Many owner occupiers also pointed out that their conception of “expensive” depends on payback period, and how soon they would benefit from their investment. At the very least they wanted to “break even”, especially when investments were substantial. People were happy to pay for insulation if they could first of all be assured that there would be a payback - that is, that they would actually feel a difference in the comfort and the heat retention and/or lower bills. Moreover, most expected that this payback would be felt in a decent timeframe.

*“cost benefit analysis that we talked about earlier, you know, what would be the savings that I'll see.... You also need more information about what will be the return on that investment” (owner occupier, no insulation)*

*“those solar panels, because we looked into those as well, to try and reduce the cost takes about 15 years for you to break even if it takes 15 years to break even when I'm not gonna live in that property.” (owner occupier, no insulation)*

*“I don't even have to gain from it so long as I breakeven as long as it doesn't cost me to do it. I'm happy. So I don't have to make money from it.” (owner occupier, no insulation)*

*“if I put 40 grand into this, what am I actually getting out of it, I don't know where they feel like I'm getting value for money at that either in the same way as if I put the money somewhere else” (owner occupier, some insulation)*

This cost uncertainty is exacerbated by a lack of trust. Several participants reported that they would be happy to pay more for the insulation work if they were guaranteed a job well done.

*“I think just trust is the biggest thing, you won't mind paying that extra money if you know it's 100% gonna get done. And I think it's trust, mainly trust, you can save up to get the money.” (owner occupier, some insulation)*

## **Private tenants feel they have little choice when it comes to energy efficiency improvements**

Like owner occupiers, many tenants feel that their homes could benefit from improved energy efficiency and insulation. The greatest barriers tenants face when it comes to energy efficiency of their rental accommodation is their landlords themselves.

*“I think it could do with a bit more insulation as it just it doesn't seem to retain heat. Put the heating on and then as soon as it's off it just it feels cold again quite quickly” (tenant, some insulation)*

Most tenants felt that they did not have the capacity to make any long-term changes to the property as they would have to seek permission from a landlord to do so. More to the point, however, tenants were not keen on spending money on energy efficiency if the benefit ultimately accrued to their landlord. Tenants were also largely unaware that there may be government schemes they could be eligible for, but even then were reluctant to put up with the hassle of the scheme to then not feel the benefit of it. Beyond that, tenants also felt that bringing a scheme to their landlord's attention was a futile exercise.

*“most people probably pay enough rent for to live in someone else's house about then go into spend so much extra money to improve someone else's house as well? I mean, I definitely wouldn't, I wouldn't even have the spare money to think about doing something like that” (tenant, some insulation)*

*“There's also the issue of do you really want the upheaval because...It just seems like a lot of pain, for not much payback. Especially if you're not entirely sure where you're going to be in six months' or 12 months' time.” (some insulation)*

Landlords we spoke to said that they would insulate their properties if their tenants said they were cold. Tenants were much more sceptical, with many saying they would not bother asking for improvements, when past experience told them such requests were usually denied or only addressed with a long delay:

*“my landlord, I'm struggling to get a dripping tap fixed. So unlikely to you know, to sort of start thinking about replacing and putting and improving insulation to be honest” (tenant, some insulation)*

*“I don't have a problem approaching my landlord but I just know what the answer will be... the smallest thing that need replacing takes, like years to fix so if there's anything sort of structural you know, I can I can pretty much guarantee it's gonna be 100% no” (tenant, no insulation)*

Others were reluctant to mention the potential for work for fear of inadvertently increasing the cost of their rent. That being said, some tenants were comfortable with an increased rent, if this was balanced with lower energy bills and their net costs remained the same.

*“I think I wouldn't mind if it was sort of comparable... I think overall, it's something that I'd be happy to pay a bit more on my rent if it meant that I was more energy efficient. (tenant, no insulation)*

*“I'd want it to reduce by a fair amount so that it wouldn't just get immediately kind of absorbed into some kind of energy increase” (tenant, no insulation)*

## **Dwelling characteristics affect barriers of cost and capacity**

Dwelling characteristics have been shown to have a greater bearing on the energy efficiency of a property than household characteristics.<sup>35</sup> That is, factors like property age and type matter more than household income.

Nevertheless, property characteristics are rarely an absolute bar to insulation: no matter the age or type of the property, no one said there were no options for them. However, property age often compounds the cost barrier. Older properties, for example, tend not to have cavity walls, meaning they have to rely on more expensive alternatives such as solid wall insulation or insulated plasterboard. Respondents also felt that older properties would need more insulation overall - for example, loft insulation alone may be inadequate without other insulation, further adding up the cost.

*“We looked at the different options. And when we did ours, because it's a Victorian terrace you can't have a lot of cavity wall, there's a lot of things you couldn't do. So that's why we decided to go down the route of insulated plasterboard and we've gone very, very thick” (landlord, one property, some insulation)*

Dwelling type did not impact cost, but it did seem to affect capacity. While issues of shared walls were brought up for those in semi-detached and terraced houses, flats (especially those in blocks) are particularly hard to treat. Depending on where a flat is located in a block there are limits to what insulation is available: only flats on the top floor can have roof or loft insulation, and many midfloor flats only have one external wall. Participants also expressed concern that there would be a need for all owners in block to agree on having work done for it to go ahead (and for it to be effective).

These concerns were primarily voiced by those who were leaseholders of their property. While most property owners in England and Wales are freeholders, 8% of the properties in England and 16% of properties in Wales are leasehold. Leasehold is also much more common in flats.

*“they never ever talk about the freeholder ever. What can we do with a 30/40 year old leasehold apartment” (landlord, 5 or more properties, some insulation)*

*“I don't know how you could just do your one flat in the block, it would have to be go to the whole freeholders, or lease holder and the management agency, you can't just do one.” (landlord, one property, no insulation)*

One landlord of a flat in a block explained that he only actually owned one wall and was not able to take action on the rest of it. Others explained that, as the leaseholder there were limited changes they could make without the permission of the freeholder. All leaseholders reported issues or the expectation that there could be issues with installing insulation based on past experiences, and the difficulty in securing permission from the freeholder or the managing agent.

Others were concerned that some changes would have to be made by the freeholder themselves, and there was no guarantee that leaseholders would have input but would face the ramifications of the decision in increased ground rent. They would also have no control over who the freeholder chose to carry out the work, wouldn't be able to assess the quality for themselves and ultimately if there was an issue with the work done, they would be the ones to end up paying for repairs to it.

*“I think if you've got a leasehold flat, then the responsibility for the external wall is with the freeholder, which kind of releases us as lease holders of that responsibility. But the freeholder will lump the cost onto us. So we will probably not be the ones who have to find who's going to do the work, but we will have to foot the bill “(landlord, 2-4 properties, no insulation)*

## CHAPTER THREE – DESIGNING THE POLICY TOOLKIT

Improving the energy efficiency of Britain's homes relies on successfully overcoming the barriers to insulating. As we saw chapter one, the past decade of policies aimed at insulating homes has consistently failed to deliver. Our analysis from *Fairer, warmer, cheaper* indicates that this may be due to policies that have focused solely on addressing the “cost” barrier, and only at the upfront stage. As we saw in Chapter Two, barriers interact and overlap. A package of measures that addresses multiple barriers is necessary if we are to motivate people to insulate. Policies which provide funding will only be successful if they can be partnered with information, advice and guidance. Part of what made the energy efficiency programmes in the early 2000s so successful was their wide remit in who could avail of the schemes, but this was bolstered by marketing and consumer engagement across many fronts and relationships with local delivery partners. Having a single local point for advice and guidance was helpful to consumers, and energy companies having relationships with installers helped to create and grow an industry and to remove decision fatigue from homeowners. Regulation is also needed to make sure supports are actually used. Help for landlords will only work if accompanied by pressure to make changes.

It is also worth remembering that even when policies address a range of barriers, no single policy is likely to have buy in from all corners. We have noted that different groups see and experience their barriers differently, and they are also motivated by different things. As such, different policies need to be developed with the aim of targeting different groups and maximising their impact.

Based on the barriers and motivations raised in our focus groups we developed a number of policy options that would help to overcome them. We then conducted a survey to see how the public felt about each of the policy options, and so how viable they would be. The survey also asked owner occupiers and landlords about the EPC rating and insulation standing of their homes and rental properties. This gives us a picture of the current energy efficiency situation, and the basis that these groups are starting from.

### **The seven segments give us an understanding of how the public sees climate change**

Understanding that climate change is viewed differently by different parts of the population, we used the Britain Talks Climate (BTC) ‘seven segments’ to group survey respondents, so that we could assess each segment's reaction to the policies. We hope that this will give policymakers an insight into how policies should be communicated in order to navigate through these reactions effectively.

Developed by Climate Outreach, the seven segments give us an understanding of how Britons view climate change, the issues that matter most to them, and the ones that do not matter at all. The seven groups are Backbone Conservatives, Disengaged Traditionalists, Loyal Nationals, Established Liberals, Disengaged Battlers, Civic Pragmatists and Progressive Activists. As illustrated in Table 1, key concerns of the groups vary, as do who they trust to deliver messages on the climate. Understanding how the different segments see the various policies is helpful in designing policies in a way that wins them round and gets them to support those policies as much as possible.

**Table 1: Britain Talks Climate, the seven segments on climate change**

	Attitudes to climate change	Attitudes to Net Zero
Backbone Conservatives	<p>Most of this segment recognise climate change is caused through human activity.</p> <p>See emissions cutting as an opportunity to create jobs.</p> <p>See preserving the beauty of the countryside as a positive benefit of climate action.</p>	<p>Open to changing lifestyle for environmental reasons but choice is important,</p> <p>Concerned about the cost of net zero and how changes will be funded and implemented.</p> <p>Would like the UK to be more energy independent (although opposed to fracking).</p> <p>Fairness means everyone playing by the same rules.</p>
Disengaged Traditionalists	<p>Least likely to act on climate change personally.</p> <p>Least concerned about climate change and environmental issues.</p> <p>Most likely segment to say they feel ‘no emotions’ about climate change.</p>	<p>Engagement on net zero relatively shallow, susceptible to swaying either direction.</p> <p>See life as fundamentally unfair, you get out of life what you put in.</p>
Loyal Nationals	<p>Third highest levels of concern about climate change,</p> <p>Unlikely to vote based on climate policy.</p> <p>Concern about environment likely understood as a highly local issue.</p> <p>Agree with pulling together and taking responsibility, and having rules that apply to everyone.</p>	<p>Among the least knowledgeable on net zero, but want a say in what changes and when the changes happen.</p> <p>Fear net zero transition could be unfair, with one rule for elites and big business and another for the average person.</p>
Established Liberals	<p>Moderate worry about climate change,</p> <p>Unlikely to be activist on climate change.</p> <p>Favour pulling together to protect the environment.</p>	<p>Relatively optimistic about net zero policies being good for jobs and retraining.</p> <p>See the economy as a priority concern.</p> <p>See fairness as equality of opportunity to ensure people from different circumstances have an equal chance.</p>

<b>Disengaged Battlers</b>	<p>Concerned about climate change, but have the second lowest engagement in personal actions to address climate change.</p> <p>Lack of trust is a defining characteristic.</p>	<p>Uncertain how climate action will benefit people like them.</p> <p>See lifestyle changes as more possible among high earners and high consumers.</p> <p>Fairness of transition is really important, doing right by everyone involved.</p> <p>Believe everyone should play by the rules.</p>
<b>Civic Pragmatists</b>	<p>Highly concerned about and highly engaged on climate change, but not central to their politics.</p> <p>Low levels of commitment to action on climate change.</p> <p>See climate action as the responsibility of everyone.</p>	<p>Tend to support radical policies such as a ban on new petrol and diesel cars.</p> <p>Have the means and motivation to take personal actions (tend to be relatively well off).</p> <p>Tend to support genuinely progressive climate policies.</p>
<b>Progressive Activists</b>	<p>Highest level of concern about climate change.</p> <p>Believe tackling climate change requires radical, urgent change.</p> <p>See climate action primarily as the responsibility of governments and big businesses rather than individuals.</p> <p>Tend to be pessimistic.</p>	<p>Desire radical action, but are antagonistic towards government.</p>

## Building awareness and trust

Drawing on the focus groups, it is clear just how significant a barrier trust is to those looking to insulate their homes. Even homeowners who are eager to insulate and willing to spend have strong reservations about where to look for information and who they should use to install their desired insulation measures.

### Local Authorities should develop ‘one stop shops’ for information on insulation

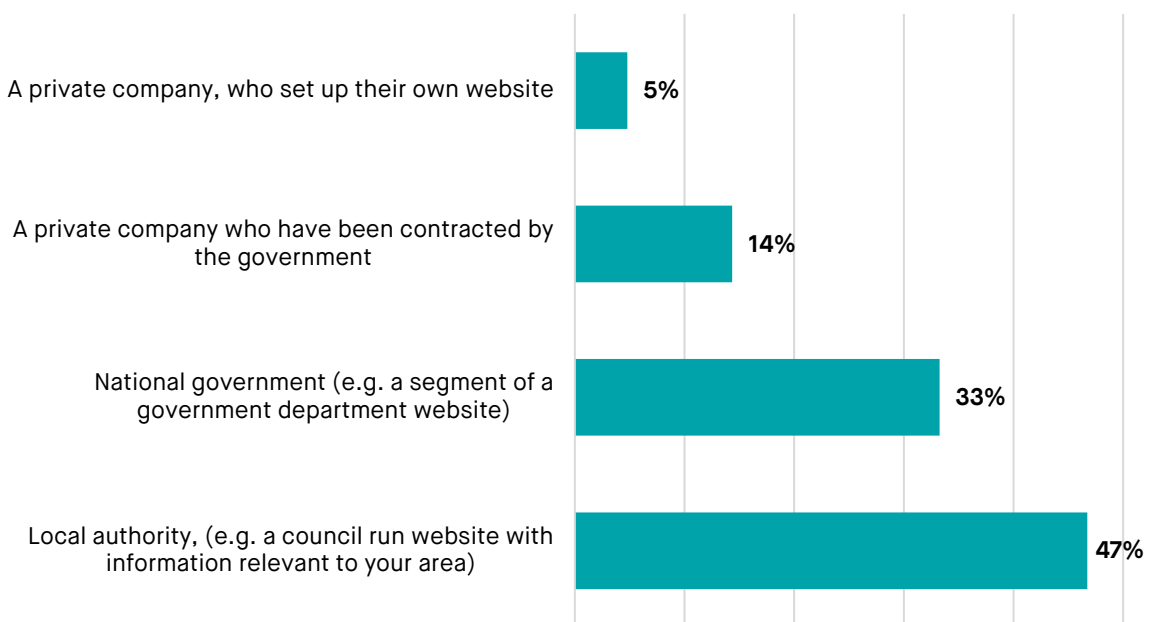
Developing a central coordinated information point for all consumers could help landlords, homeowners and tenants alike. As it stands, information on improving energy efficiency, types of insulation and availability of funding to help cover the cost of insulation is scattered. The government has a webpage on “Household energy”, which details ways to save energy, energy certificates and information on nationally available grants that can be used to make a home more energy efficient, along with questionnaires to help determine eligibility.<sup>36</sup> The government’s “help for households” site has some information on different insulation types and the amount of savings they could give but it is not very detailed.<sup>37</sup> The Energy Saving Trust website goes into more depth on types and suitability of insulation.<sup>38</sup> Information is also provided by energy suppliers, private companies and money saving websites, although the comprehensiveness and reliability of information on these sites can vary significantly.<sup>39</sup>

As described in Chapter Two, some households don't know where they should even begin when it comes to insulating, while other households have an idea of where to start but are unsure of where to find clear and trustworthy information on next steps. Many look to the government for guidance but don't know where to start. Others have the information they need but need help digesting it and narrowing down their options. While the information is all out there, finding it and navigating through it can be difficult.

Developing a central information point which can be widely accessed by consumers and has all the information in one place – a “one stop shop” – would be helpful for navigating this space. This could bring together details on insulation types, available grants, schemes and subsidies, and local tradespeople.

As can be seen in Figure 2, survey respondents rated local authorities as the organisation they would trust most to deliver a one stop shop-style platform (47%), followed by national government (33%). As the centre for locally delivered services, it is perhaps more likely that residents will have contact with their local authority (and its website) than a national platform. Local authorities also have more information on heating demand in their area and so may be well placed to target information. All information and questionnaires from national government could be embedded on local authority websites to ensure consistency, where needed. Local authorities would be able to tailor and target the information so that it is relevant to their area, including information on locally available funding, but also with an understanding of local heating demand, what type of homes and tenures are most common in their area and what support they are most likely to need.

**Figure 1: Which of the following organisations would you trust most to deliver a "One Stop Shop" style platform?**



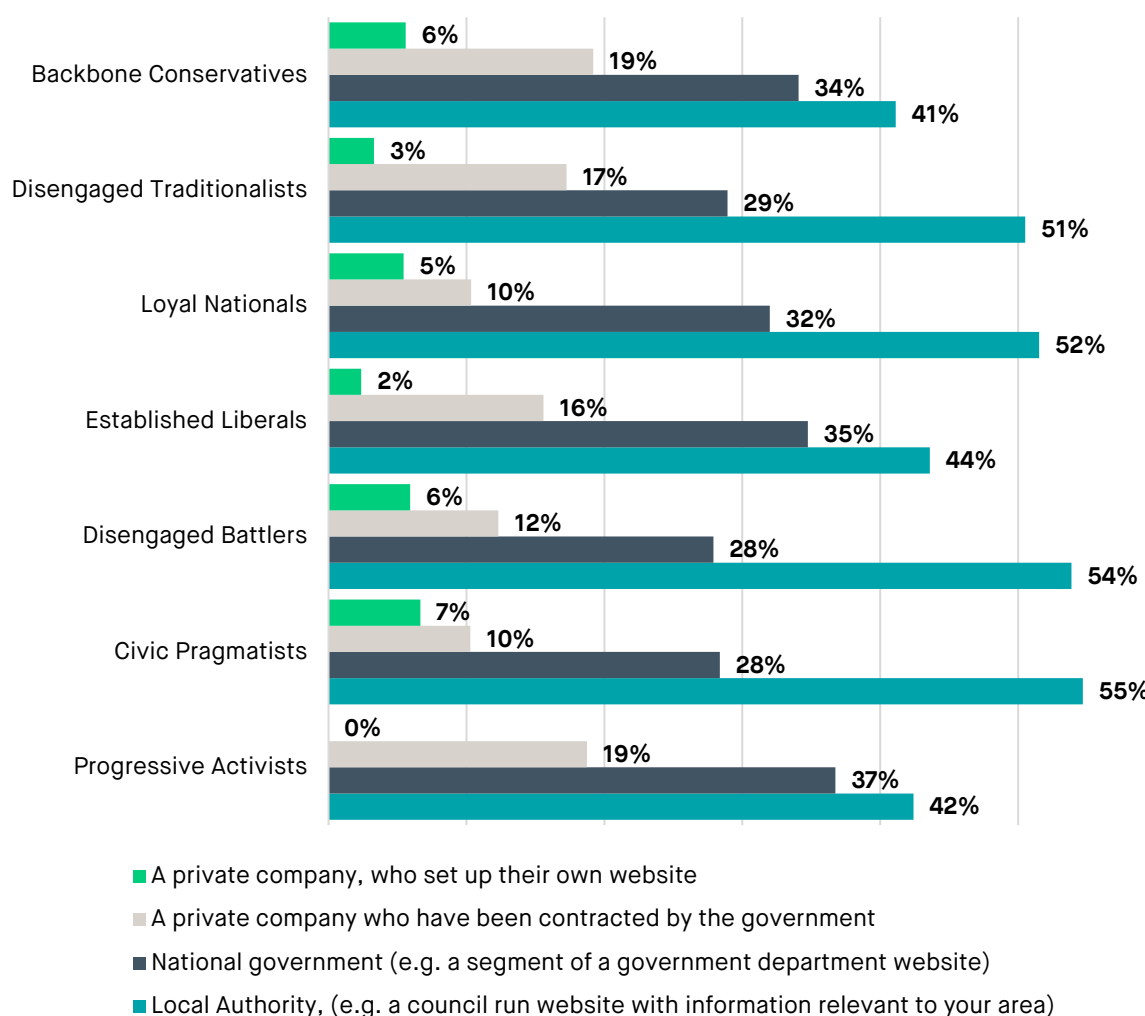
Source: SMF analysis of FocalData survey, September 2023



Local advice centres and partnering with local authorities to build engagement were two key engagement strategies used in the delivery of CERT. In the same evaluation, some stakeholders felt the availability of a local telephone advice service was also important for improving customer confidence and trust. This was particularly the case when the calls were managed by an organisation independent of the scheme, such as a local authority.<sup>40</sup>

An example of a one stop shop-style system in the UK is the Home Energy Scotland Hubs. Through a network of regional advice centres across Scotland, consumers can get both local knowledge and expert advice on keeping warm at home, saving energy, installing renewable energy and the funding options available. There is information available online but there is also an option to contact HES directly by phone or email. Our report *Fairer, warmer, cheaper* highlighted the importance that Home Energy Scotland Hubs had played in improving energy efficiency in Scotland. The Centre for Aging Better has also set out how one stop shops could be established in other parts of the UK, through their advice on developing a “Good Home Hub”.<sup>41</sup>

**Figure 2: Organisations trusted to give information, by BTC segment**



Source: SMF analysis of FocalData survey, September 2023



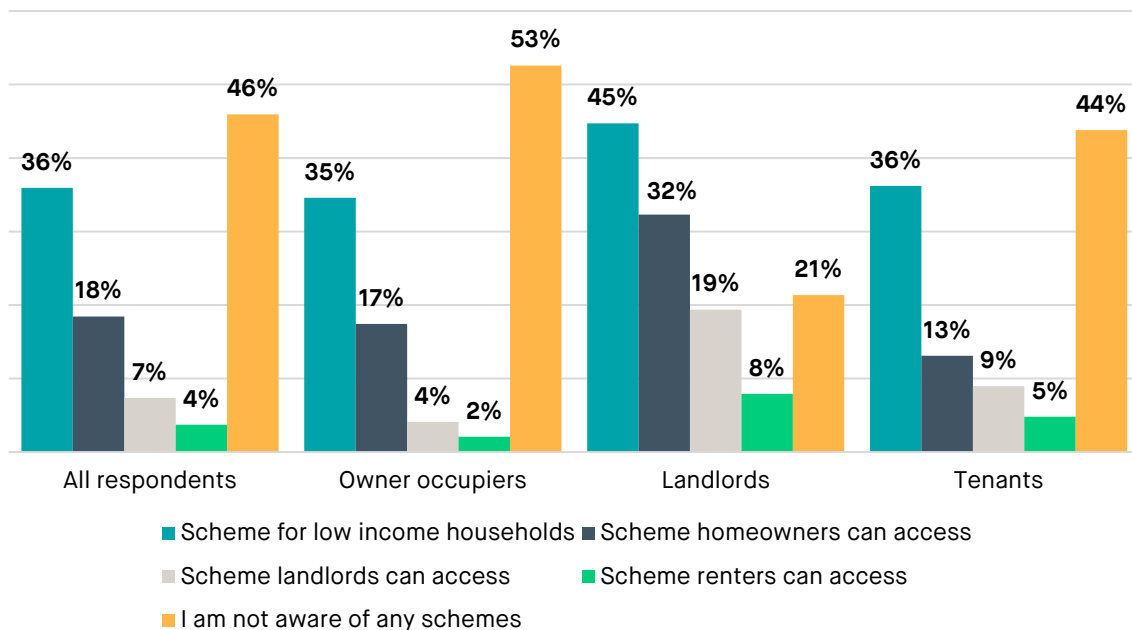
Local authorities are the clear winner across all segments of the population, as Figure 3 shows. Using a local information source is particularly important for winning round groups whose climate motivation is not as strong, such as “Loyal Nationals”, but who really value local perspective. This may be particularly valuable to those with a mistrust of central government.

For some groups, national government comes a close second. As such, government websites should maintain the information they do have, although this should be reconfigured to make it more user friendly and intuitive. The platform could be divided into relevant categories that address the concerns/barriers of different groups. For example, dividing routes through the system by stage of insulating, from those who have not yet started on the journey to those who are trying to determine what schemes they should apply for, would be more convenient.

**Government needs to improve awareness of financial support for energy efficiency improvements**

One of the core aims of the one stop shop should be to improve the awareness of funding that is currently available for improving energy efficiency in private housing. As seen in Figure 4, results from our survey showed that awareness of government energy efficiency schemes is very low. Hardly any tenants are aware that there are schemes that include renters (5%), even though tenants can avail themselves of ECO if they secure permission for the works from their landlord. Landlords also seem to be unaware that there are schemes that they can use for their rental properties.

**Figure 3: Are you aware of any government schemes that help the following people to pay for work that improves the energy efficiency of their homes?**



Source: SMF analysis of FocalData survey, September 2023

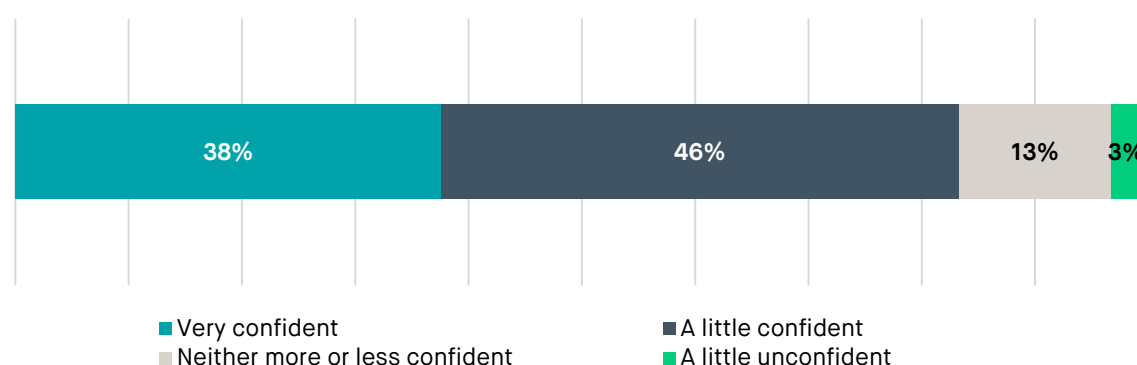
As noted in Chapter One, the schemes that are available do have qualifying criteria, and so not every household is eligible for support under current funding mechanisms. However, it is clear that, with such low awareness of available schemes, many eligible households will be missing out on a warmer, more energy efficient home. As highlighted in the previous chapter, the cost of insulation and the payback for investing in insulation is a big concern for both landlords and owner occupiers. Many of these fears could be mitigated if people claimed the help they are entitled to. Improving the awareness and take up of available schemes is not only beneficial for those availing of them, but would also be a win for government, particularly following the failure of other schemes in recent years.

### Government should establish mandatory accreditation for insulation installers

Low trust in the industry and concerns about “cowboy” installers have made many homeowners wary of hiring someone to fit insulation. Trust could be enhanced with mandatory accreditation for insulation installers. Landlords and homeowners are strong supporters of accreditation, with 84% of owner occupiers and landlords saying they would feel more confident in installing insulation if they knew that their installer was accredited (see Figure 5). We can see in Figure 6 that this higher level of confidence also carries across BTC groups, indicating that is not something which would be politically difficult with voters for any party.

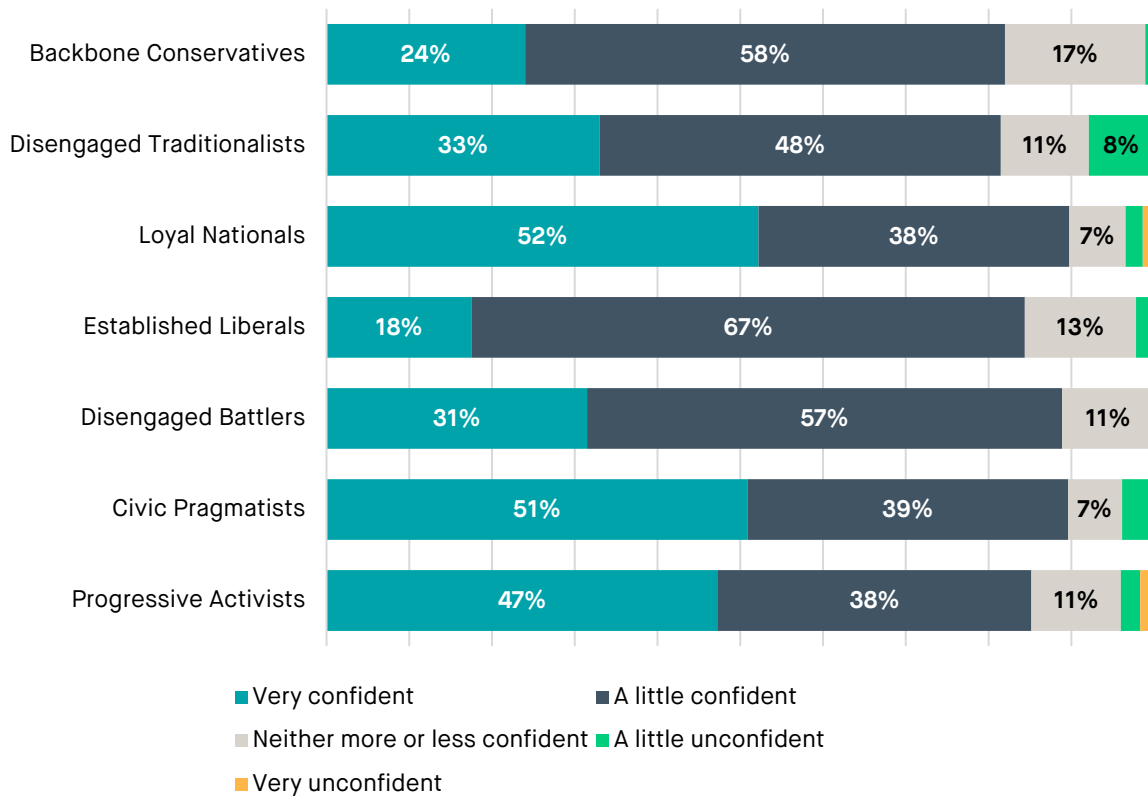
Introducing mandatory accreditation would also ensure a guaranteed standard of workmanship and trustworthiness across the industry. It does not automatically guarantee an increased level of insulation, but improving confidence in the industry could help those already interested in greater insulation to take the final step in getting a quote or having insulation fitted.

**Figure 4: How much more confident would you feel about finding someone to insulate your house if they had been accredited by the government and/or official trade body?**



Source: SMF analysis of FocalData survey, September 2023

**Figure 5: How much more confident would you feel about finding someone to insulate your house if they had been accredited by the government and/or official trade body? By BTC segment**



Source: SMF analysis of FocalData survey, September 2023

Accreditation is also not new to the insulation industry. There are already a number of schemes in place which guarantee the workmanship of installers, including TrustMark, SWIGA, and CWIGA although these are not yet mandatory.

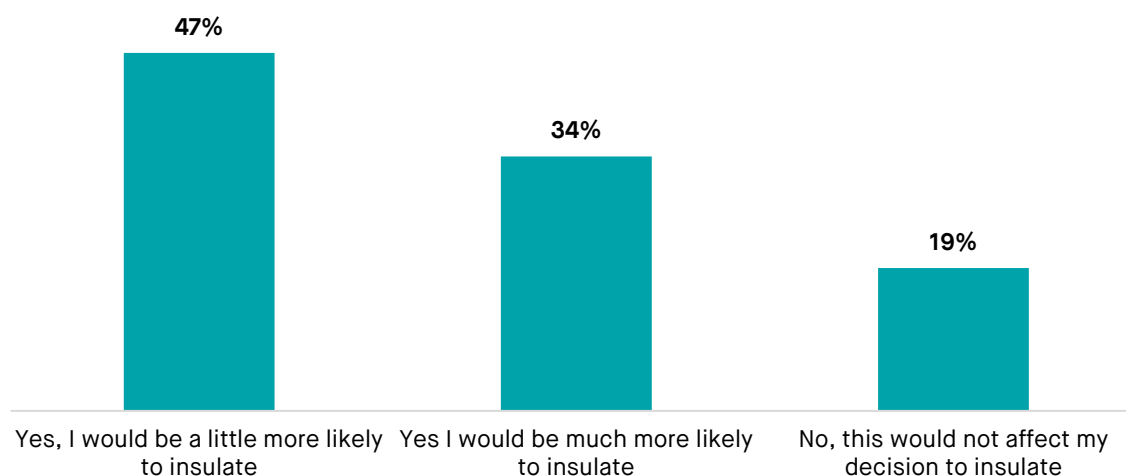
Awareness of these markers seems to be low, even among those who have installed insulation. While government webpages do emphasise the importance of using TrustMark traders, it is evident that this message has not reached the average consumer. None of our focus group attendees mentioned checking accreditation schemes when looking for an installer, predominantly using trade review sites and word of mouth instead. A local government website that contains information on insulation could embed search functions from the various organisations to ensure that residents can easily look for competent and qualified installers to provide them with a quote.

### Local authorities should showcase insulation success stories to build trust in the industry

The final step to building trust is to showcase success stories of insulation. As with reputable installers, word of mouth can be a powerful tool. Again, local authorities are particularly well placed to take on this role. This may be particularly important for building trust among those put off by previous bad experiences. It is also a good way of highlighting insulation that they may be less familiar with, such as solid wall and underfloor insulation.

Survey respondents indicated that success stories would help to persuade them to insulate (Figure 7). The effect is particularly strong for owner occupiers and landlords who are open to insulating, but not yet convinced of the positive effect. It could also help to persuade those who do not intend on insulating that there is something to be gained, even if they are already warm enough in their properties.

**Figure 6: Would it make any difference to your plans to insulate your home to see ‘success stories’ from people like you that have already insulated their houses?**



Source: SMF analysis of FocalData survey, September 2023

The government’s website gives details of heat pump success stories through the Energy Systems Catapult.<sup>42</sup> The case studies are divided by region with different heat pump technologies and different property types, to show the range of properties that are suitable. Case studies detail the type of property, the location, what was installed, the challenges to the project, how these were overcome and what the impact of the change was. The case studies also address common concerns. This provides an ideal blueprint for insulation case study success stories.

Image 1: Energy Systems catapult, case study


**Department for Business, Energy & Industrial Strategy**

**Low carbon heating system CASE STUDY**

**Judith and Peter, Brighton**

## Air source heat pump

*"We didn't want to have gas again"*



**BUILDING TYPE AND AGE**  
Pre-1919 mid-terrace flat, 1 bedroom

**LOCATION OF THE PROPERTY**  
Brighton, urban area

**TECHNOLOGY INSTALLED**  
Air source heat pump

**NUMBER OF HOUSEHOLDERS**  
Two adults

**PREVIOUS HEATING SYSTEM**  
Combi gas boiler

### The challenge

Judith and Peter were using an old combi gas boiler for their heating and hot water. The system was almost twenty years old and the couple felt that it would soon need to be replaced as it was inefficient and unreliable.

After doing their research by speaking to a number of different experts in the area, the couple decided to participate to the UK Government funded Electrification of Heat Demonstration Project which is trialling heat pumps. As part of the project they had their old gas boiler replaced with a modern heat pump.

Peter had started looking at the possibility of converting to a renewable heating system, as it was important for him and Judith to have a low-carbon heating solution installed and become more environmentally sustainable.

### Solution and benefits


An air source heat pump was installed at Judith and Peter's flat to provide space heating and hot water.

The couple are really happy with their decision to join the Electrification of Heat Demonstration Project as their new heat pump is a green heating solution, keeps their flat warm, and so far has been cheaper to run than their old gas boiler.

### Installing the heat pump

#### How long did it take?

The installation was completed in four days.



#### What did it involve?

The heat pump outdoor unit was installed in the private backyard below the kitchen window. The hot water tank was placed inside a cupboard in the kitchen where the gas boiler used to be located. In consultation with the installers, Judith and Peter agreed to replace all the radiators with larger and deeper ones, as well as replacing the existing pipework.

#### Were they happy with the result?

The couple are very pleased with their new heat pump and how warm it keeps their flat.

### IMPACT ASSESSMENT

Judith and Peter's new heat pump should be over **300% more efficient** than their old gas boiler.

It will **reduce their heating CO<sub>2</sub> emissions by at least 80%**. This is equivalent to having almost two less cars on the road each year.

At the moment the heat pump might cost more to run than the family's old gas boiler, depending on which electricity tariff they use. However, the heat pump will become more cost effective to run in future if levies and obligations are adjusted to make electricity less expensive relative to gas.

ASSUMPTIONS: annual heating demand of 14,500 kWh; average heat pump SPF of 2.62; gas boiler efficiency of 84%; mains gas carbon emissions 0.21 kg CO<sub>2</sub>e per kWh; electricity carbon emissions of 0.136 kg CO<sub>2</sub>e per kWh; vehicle emissions of 225 g CO<sub>2</sub>e per mile; average driving distance of 7,400 miles per year.

### Common concerns about heat pumps

#### Energy costs

At the time this case study was written, the couple felt that the heat pump was cheaper to run compared to their old gas boiler.

#### Warmth and comfort

Judith and Peter are very happy with how warm the heat pump keeps their flat.

The new system is also heating the water to a better temperature compared to the old gas boiler.

#### Disruption in the home

Prior to the installation, Judith and Peter were concerned about the amount of disruption that the conversion process would cause to their flat and everyday lives. They knew that all the radiators and pipework needed to be replaced and that a new hot water tank needed to be installed so, although it wasn't necessary, they decided to move out for a few days while the installation was completed. When they returned, they were pleased to see that the installers had done everything they could to ensure minimal disruption to their home.

#### Noise

Judith and Peter had an ultra quiet heat pump model installed in their backyard therefore they have no issue with noise.

*"You can hear it faintly when it's running but it is a lot quieter than the gas boiler"*  
Peter

#### Aesthetics and 'look' of the heating unit

Since their backyard is relatively small, Peter feels that the heat pump is noticeable in it. However, this is not a concern for him and Judith.

*"The heat pump is very present in our backyard"*  
Peter

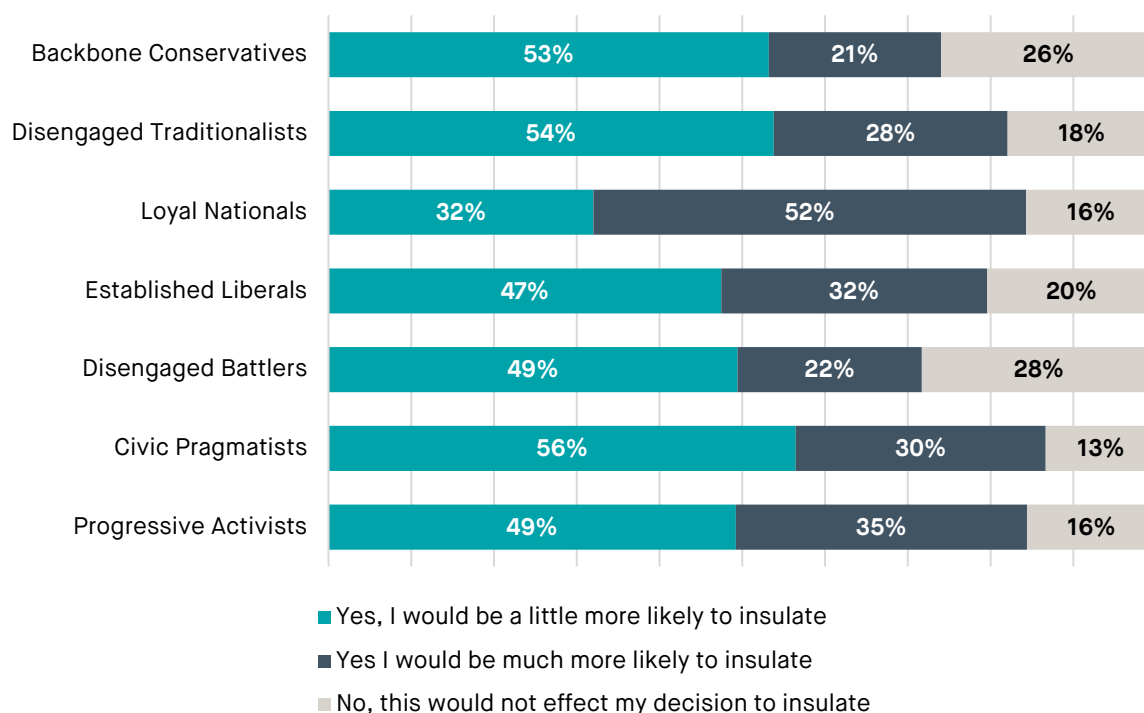
This case study is part of a series produced as part of a UK Government funded project through its Energy Innovation Programme, the Electrification of Heat Demonstration project. The project is trialling different types of heat pumps in up to 750 homes across the UK.



Source: Energy Systems Catapult

There is a notable minority of each of the BTC segments who say that success stories would not affect their decision to insulate, particularly among Disengaged Battlers (28%) and Backbone Conservatives (26%). To win over these groups, stories need to address their biggest concerns with climate change and the net zero transition – emphasising the fairness of the transition for all involved and reassuring them it does not have a negative effect on the economy. Backbone Conservatives may be further won round if success stories highlight how increased insulation can actually create job opportunities and benefit local businesses.

**Figure 7: Would it make any difference to your plans to insulate your home to see ‘success stories’ from people like you that have already insulated their houses? BTC segments**



Source: SMF analysis of FocalData survey, September 2023

With this in mind, local authorities should seek out and publish success stories of those who have insulated their home and who have felt the benefits of insulating, financial and otherwise. Stories should come from within the area the authority is responsible for, so that successes are also local. Stories should come from as wide a range of tenures, property types, ages and household incomes as possible. Detail should be given on the cost of the insulation and how homeowners covered it, including use of grants or loans. Homes which are traditionally viewed as “hard to treat” should be given particular focus. Industry success stories should also be highlighted, showing how insulating has contributed to the local economy and supported industry and local business.

## CHAPTER FOUR – IMPROVING INSULATION IN THE PRIVATE RENTED SECTOR

### **A new minimum energy efficiency standard for the private rented sector is necessary**

As mentioned in Chapter Two, the MEES for the private rented sector currently sits at EPC E<sup>iii</sup>.<sup>43</sup> When this was introduced in 2018, it significantly improved the energy efficiency of PRS housing stock. In 2021, the government consulted on a proposal to raise this to EPC C by 2025 for new tenancies and by 2028 for existing tenancies. The prospect of a higher MEES has generated much discussion among landlord associations and renter organisations.<sup>44</sup> Some quarters have expressed concerns that the cost of reaching a higher MEES would push many landlords out of the market, although it is uncertain if this concern is founded or not.<sup>45</sup>

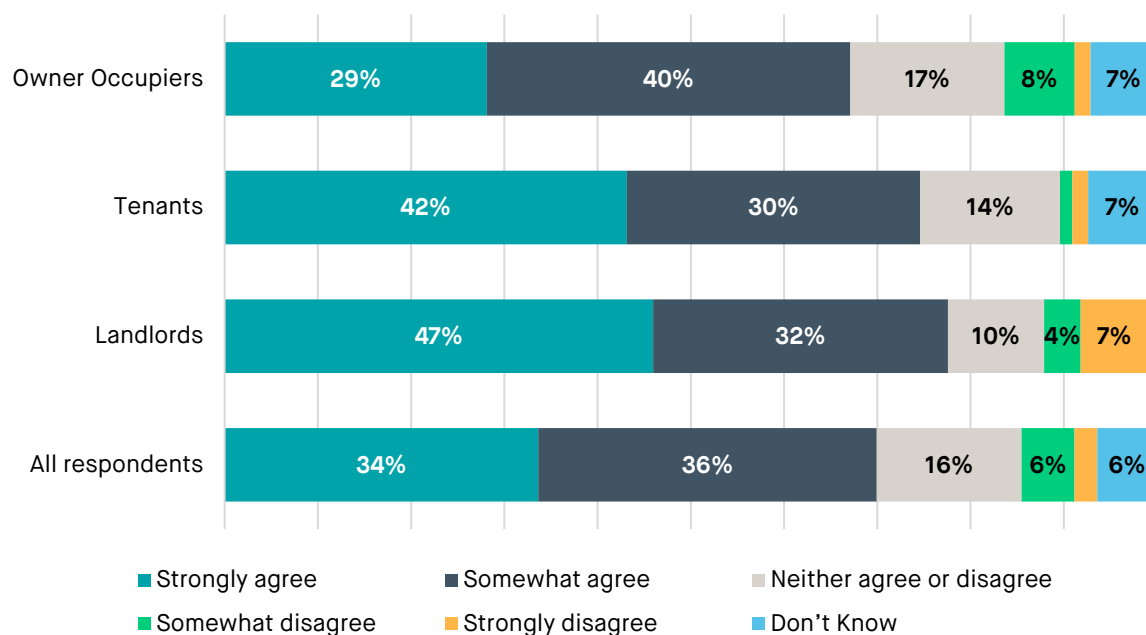
As described in Chapter Two, landlords we spoke to had a mixed perspective on raising the MEES: many agreed in principle, but there were concerns about the implementation of the policy. However, in a shift in policy, in mid-September 2023, the Prime Minister announced that the current government has no intention of ever increasing the MEES in the private rented sector. While this decision is intended to protect tenants from unfair price hikes in rent due to the cost of renovations, this is a false logic. Private rented sector tenants are already losing money in their properties due to their leaky nature. Citizens Advice estimate that in 2023 PRS tenants are on course to lose £1.1 billion due to heat lost through leaky doors, floors walls and windows.<sup>46</sup> E3G estimates that a MEES of EPC C would save renters £570 per year, or aggregate savings of £1.75bn.<sup>47</sup> Given the negative rhetoric expressed by government and some parts of the media about a higher efficiency standard, the extent to which landlords in our survey supported an increased efficiency standard is surprising (albeit, welcome). Private sector landlords were the tenancy group who most strongly supported tighter regulation on energy efficiency, with 79% agreeing with a higher standard and only 11% disagreeing. In the days following the Prime Minister’s decision on MEES, frustration came to light not only from tenant groups but also landlords themselves, some of whom had already invested substantial sums into the energy efficiency of their properties.<sup>48</sup>

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<sup>iii</sup> There are exemptions to the MEES regulation, including an “all relevant improvements made” exemption, a “high cost” exemption where even the cheapest measure suggested on an EPC would cost more than £3,500 and several others



**Figure 8: To what extent do you agree or disagree with raising the Minimum Efficiency Standard for Private Rented Sector properties from an E to a C in the next few years?**



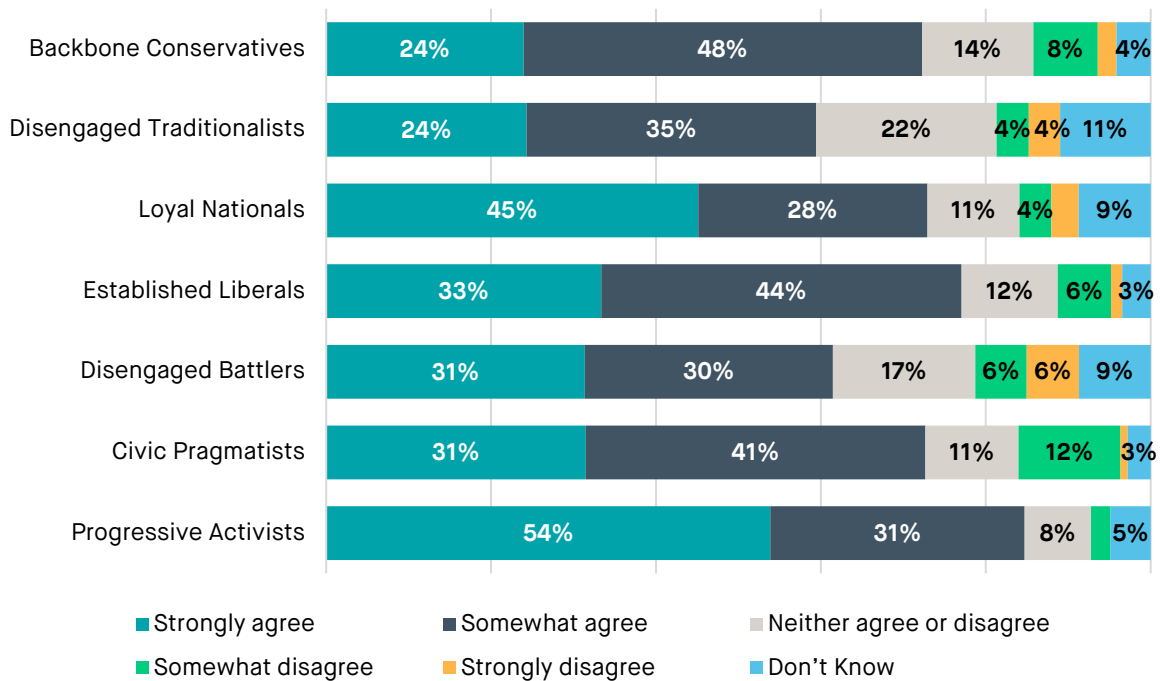
Source: SMF analysis of FocalData survey, September 2023

Close behind landlords was support from private tenants themselves, 72% of whom agreed with a higher EPC standard. The concerns raised to us by private tenants about how higher energy efficiency could affect the cost of their rent or be disruptive to them may account for a level of support which is slightly lower than perhaps expected.

When it comes to the BTC segments, very few outright objected to a higher MEES for the private rented sector in the next few years, with 12% or less for all but one group disagreeing with a higher MEES. Objections to a higher MEES may come from concerns around fairness as well as a feeling that responsibility for net zero transition should be shared equally, for example that tenants should make improvements rather than the government obliging landlords to.



**Figure 9: To what extent do you agree or disagree with raising the Minimum Efficiency Standard for Private Rented Sector properties from an E to a C in the next few years? By BTC segment**



Source: SMF analysis of FocalData survey, September 2023

While the prime minister thinks he has done landlords a favour, evidently he has not. There is clearly strong support for a higher MEES among landlords. Rather than eliminating the possibility of a higher MEES, the government should capitalise on the opportunity to support tenants into warmer, more efficient homes, which is what will actually save them money. Raising the MEES could also be beneficial to government. Not only do warmer homes reduce illnesses, saving the NHS money, they also benefit the economy, with ECIU citing analysis that showed that, for every £1 government invests in insulation, £3.30 is returned in GDP.<sup>49</sup>

Raising the MEES should also come with wider reform of the MEES system as a whole. As it stands, there is a cost cap of £3,500, which means that if landlords have spent that much of their own money on energy efficiency improvements and have still failed to achieve the minimum EPC, they can be exempt. Raising the EPC should naturally raise the amount of the cost cap, or alternatively, given the financial supports we will propose later in the chapter, this cost cap could be removed in its entirety.

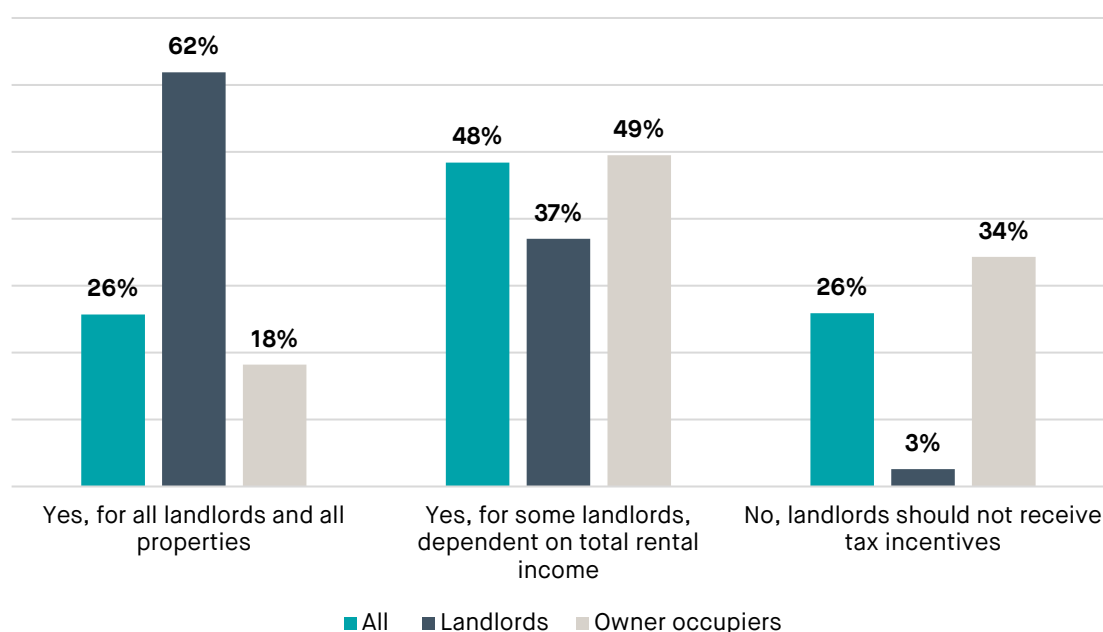
## Making energy improvement tax deductible could spur on landlords who are concerned with the cost of insulation, although introducing it could undermine policy process

Introducing a higher MEES will force landlords to insulate. However, we acknowledge the validity of landlord concerns about the upfront cost of insulating multiple properties. While some landlords may be able to avail themselves of schemes such as ECO or the Great British Insulation Scheme, those whose properties are not eligible may still have difficulties covering costs. One means of easing these challenges is to make the costs of insulating a property tax deductible from rental income. This should be targeted at landlords that are not eligible for other insulation subsidies.

Climate change think tank E3G has proposed using tax rules in this way to spur landlord investment in energy efficiency. At the moment, costs of energy efficiency measures can be deducted from capital gains tax when a property is sold, but not for example deducted from income tax in the year that landlords undertake the improvements.<sup>50</sup> They suggest shifting the deduction to an annual basis, so that landlords can benefit from the changes as they are made rather than having to wait until the property is sold.

Opting for a such a scheme could help to spur on landlords who are concerned about the cost, but also about the payback period for that cost, particularly those who have no intention of selling their rental property in the near future (which seems to be the case for the majority of landlords we spoke to).

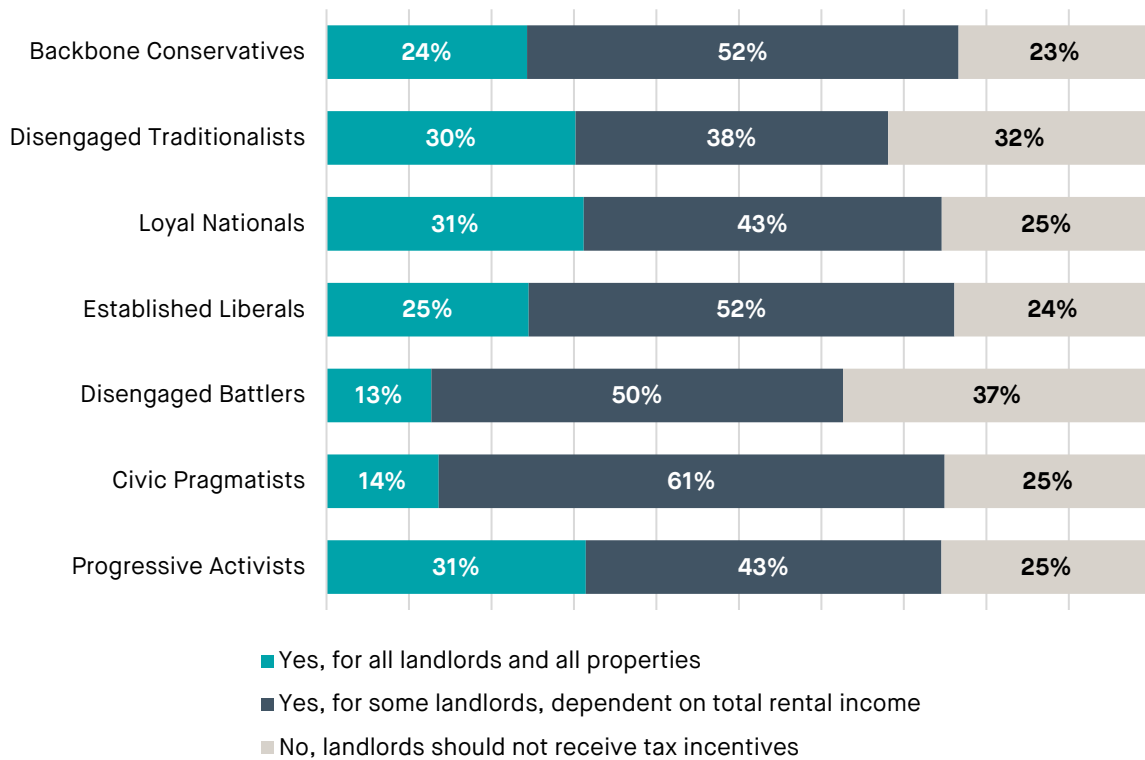
**Figure 10: How do you feel about giving tax incentives to landlords to help insulate their properties, such as deducting the cost of energy efficiency works from income tax?**



Source: SMF analysis of FocalData survey, September 2023

Survey respondents were broadly supportive of a tax incentive for landlords, with 74% of all respondents in favour (Figure 11). Yet only a quarter of people would support these incentives being available to all landlords. Just under half (48%) feel that landlords with substantial income from letting should not be able to avail of the tax incentive. Unsurprisingly, landlords overwhelmingly approved of a tax incentive, while owner occupiers were much more hesitant, with 34% disagreeing and 49% feeling that any incentive for landlords should have an income cap associated with it.

**Figure 11: How do you feel about giving tax incentives to landlords to help insulate their properties, such as deducting the cost of energy efficiency works from income tax? By BTC segment**



Source: SMF analysis of FocalData survey, September 2023

There is, however, a substantial minority opposed to landlords receiving a tax incentive to help them improve the energy efficiency of their properties. That opposition is even higher among Disengaged Traditionalists and Disengaged Battlers, around a third of whom would object to the policy. This may be down to a concern about fairness. People don't want landlords to be unfairly rewarded if they could afford to do it without the tax incentives. Owner occupiers, particularly those not eligible for government grants or schemes, may see this as particularly unfair, especially if there is not an equivalent scheme for them.

It is also worth questioning whether landlords need specific support to insulate their rental properties, as there is already support landlords can access. Private rental properties are eligible for the existing energy efficiency support of ECO4 and the Great British Insulation Scheme, for example. Secondly, as highlighted above, landlords can already benefit from a tax deduction for any energy efficiency improvements made to their property at the point of sale. As we will show in the next chapter, properties with higher EPC ratings tend to benefit from higher sale prices. Finally, landlords have previously been asked to meet an energy efficiency standard and did so, with the ability to rent out their property acting as the incentive. Changing the power of the minimum energy efficiency standard in this way to make it more favourable to landlords would somewhat undermine the point of the policy, and risks setting a concerning precedent for a policy process that defaults to concessions on environmental policy decisions which, while necessary, could be politically difficult.

## CHAPTER FIVE – ADDRESSING OWNER OCCUPIER HESITANCY

### **Government should tweak messaging to highlight the multiple benefits of insulation**

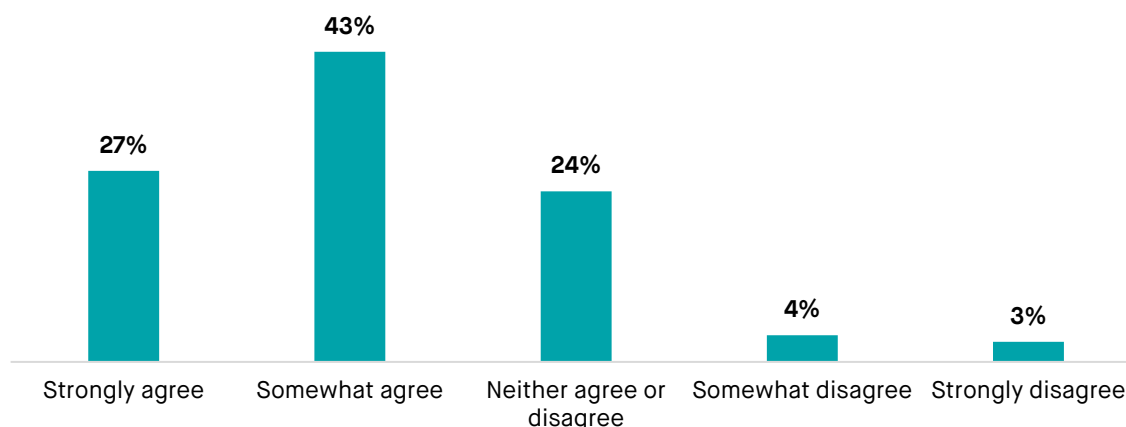
Messaging to promote insulation currently emphasises the potential for cost saving. Improved insulation undoubtedly has an effect on energy demand and bills, and given the current cost of living crisis, anything that can reduce costs is likely to be welcomed by consumers. However, as we have seen, people are often sceptical of the cost saving impact, and if they *can* afford higher energy bills, the upfront cost and perceived hassle may put them off. Efforts to persuade homeowners that energy efficiency measures are worth paying for should therefore address the full range of benefits, and especially the health and wellness benefits of living in a warmer home, particularly for children and older people. Government should do this in a positive way, leaning on success stories of those whose homes have become more comfortable and avoiding scaremongering.

### **Checkpoint prompts could create a gentle nudge to stimulate interest in insulation**

As highlighted in previous SMF work, when energy bills are at normal levels, insulation and energy efficiency are not always top of mind for a household.<sup>51</sup> As we have seen in our focus groups, with prices having risen, more homeowners are considering insulating, but naturally this has not been the case for everyone.

To help keep insulation salient, government should introduce checkpoint prompts as part of planning and safety checks. Occasions such as home renovations or adding extensions, which are already disruptive to homeowners, are prime opportunities for installing energy efficiency measures, and are acknowledged “trigger points” for undertaking energy efficiency work.<sup>52</sup> For more extensive projects a prompt should be included as a question on planning permission forms, asking if those applicants have considered insulation in other parts of their home alongside this work. For projects that do not require planning permission, tradespeople working on the project should be encouraged to ask the homeowner if additional insulation is something they had considered. Understanding that not everyone will undertake renovation work for their properties, a checkpoint prompt should also become a part of annual gas safety checks and OFTEC inspections. If any of the prompts spur homeowners into action, they ought to be directed to their nearest one stop shop to support them in their insulation journey.

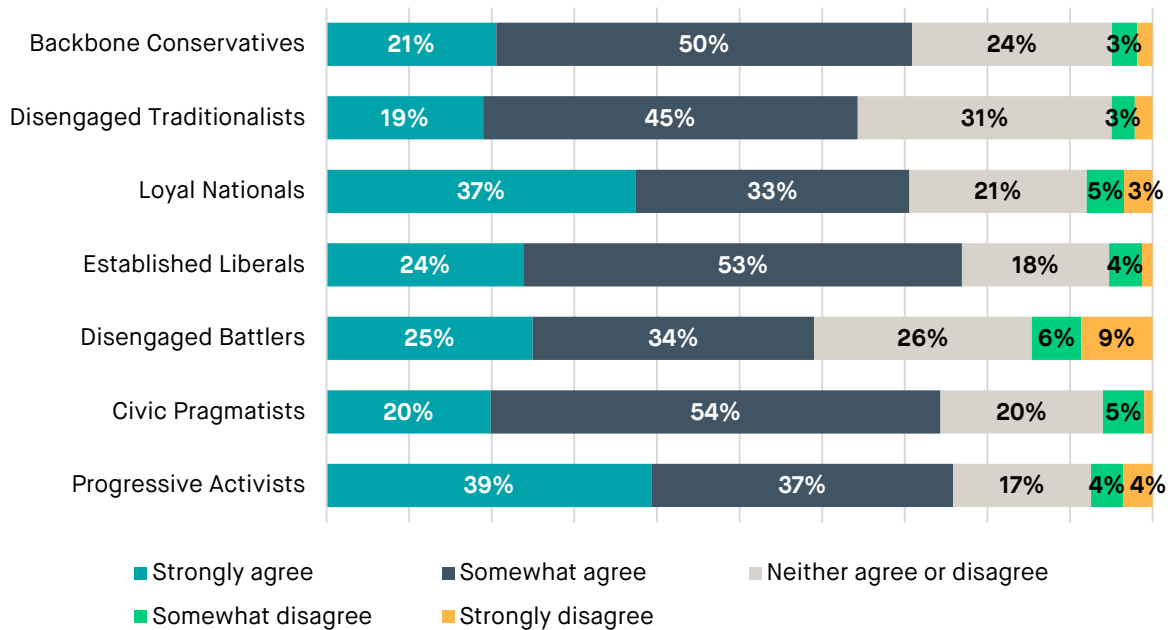
**Figure 12: To what extent do you agree or disagree with the introduction of a "checkpoint prompt"?**



Source: SMF analysis of FocalData survey, September 2023

Checkpoint prompts received relatively strong support from survey respondents, with 70% approving and most of the rest not feeling particularly strongly either way (Figure 13). This applies across BTC segments, with support for checkpoint prompts high across all groups. The Disengaged Battlers were the only group with a material minority (15%) opposed to a checkpoint prompt (Figure 14), perhaps because they suspect it is a step towards mandating insulation. In designing any checkpoint prompt, government should be clear, therefore, that this would not mandate that homeowners would have to take any action. Prompts will also need to be worded in such a way that it is clear they are only intended to be a reminder to homeowners to consider insulation. As with installer accreditation, prompts will not automatically convert to increased insulation but will keep messaging on the value of insulation consistent.

**Figure 13: To what extent do you agree or disagree with the introduction of a "checkpoint prompt"? By BTC segment**



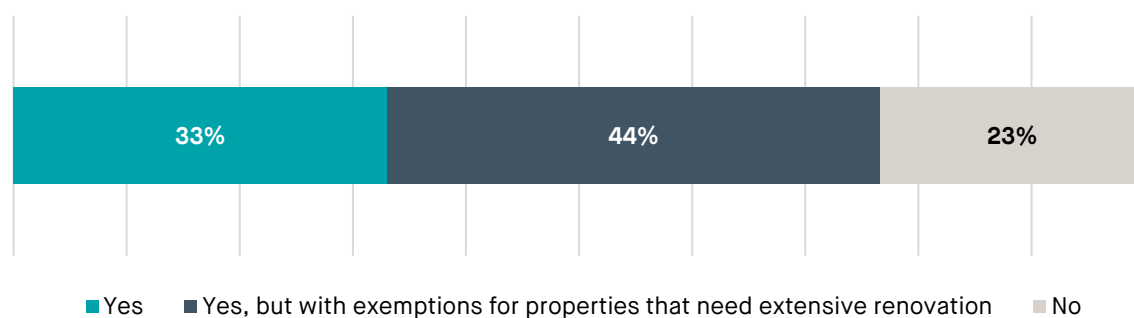
Source: SMF analysis of FocalData survey, September 2023

### A Minimum Energy Efficiency Standard for owner occupiers would firmly push them towards insulating

A more forceful option for government would be to introduce a minimum energy efficiency standard for all homes. As we have seen, there is a MEES in place for private and social renters, but there is not yet anything in place for owner occupiers. From 2025, all new build homes will need to produce 75-80% less carbon emissions than they do now. In practice, this will entail higher levels of energy efficiency, but technically there is no minimum EPC requirement that new homes must meet. There is also no efficiency requirement in place for existing homes, and there are an estimated 40% of homes that do not have an EPC.<sup>53</sup> Owner occupier households have some of the poorest energy efficiency, and thus have been identified by the ONS as having the greatest potential for improvement. The median EPC rating for owner occupier properties is currently at 64, with the potential to improve to 83.<sup>54</sup> Yet there is currently no policy that would make owner occupiers insulate their properties.

It is difficult to encourage people to make changes to their properties if they do not feel need to. Just like landlords, the most effective way to change owner occupiers' behaviour is to compel them through regulation, such as a MEES for all homes. We would recommend that any MEES for owner occupiers is introduced as something that is required at point of sale, so that those who have to make improvements could recoup the cost of the works in the sale price. Research by Knight Frank has shown that raising the energy efficiency of a property can increase the property value by up to 20%.<sup>55</sup>

**Figure 14: Do you think home owners should be obliged to make energy efficiency improvements to their homes? For example, should the government require properties to meet a minimum energy standard before they can be sold?**



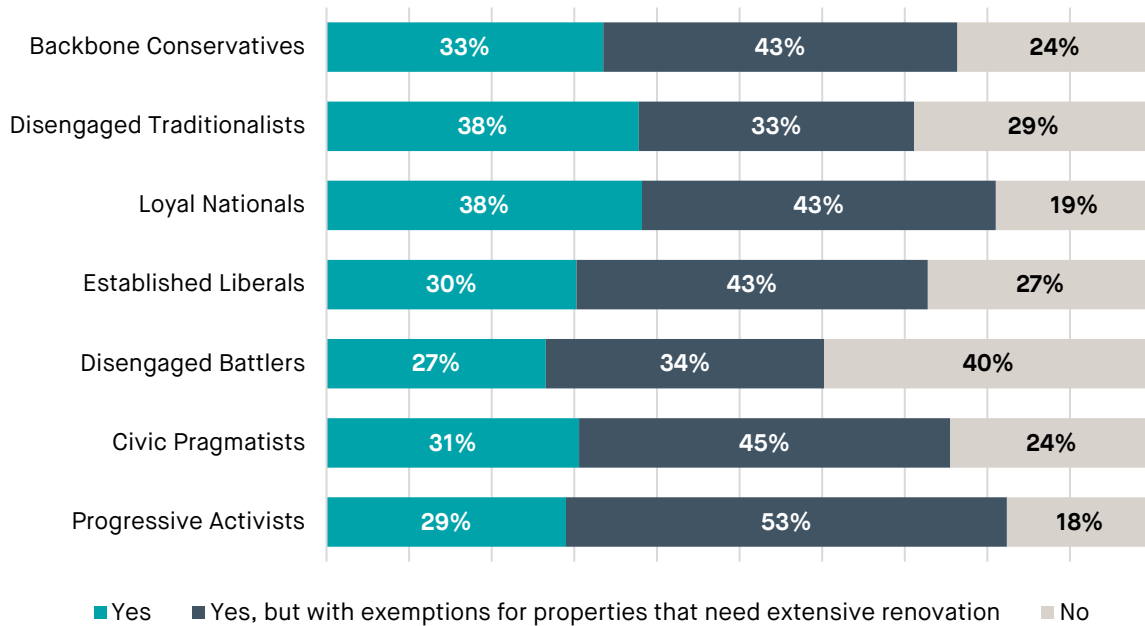
Source: SMF analysis of FocalData survey, September 2023

Any scheme which forces owner occupiers to make changes to their homes is likely to be controversial. Despite this, a little over three quarters of survey respondents supported introducing some style of minimum efficiency standard for owner occupiers (Figure 15). The majority advocated for a scheme which had exemptions for properties that would need extensive renovation.

This does leave a significant portion who are opposed to the idea. The group that was most strongly opposed to a MEES for homeowners were the Disengaged Battlers, 40% of whom objected (Figure 16). This is likely to be influenced by the need for a fair transition, and placing an obligation on homeowners who may not have the means to install energy efficient measures would be seen as extremely unfair. Additionally, forcing homeowners to make a change removes their agency, which also does not go down well with several of the BTC segments. Whether or not they could recoup the cost of work at sale is irrelevant; many groups feel that the choice must be theirs to make, not a choice that is imposed on them.



**Figure 15: Do you think home owners should be obliged to make energy efficiency improvements to their homes? By BTC segments**



Source: SMF analysis of FocalData survey, September 2023

### New financial products could help cover the costs, but are not yet a solution for everyone

As we have seen, while some owner occupiers are mainly put off insulation by upfront costs, for many the issue is the payback. Many are concerned that, while they will be the ones to pay for it and put up with any hassle, they will never recoup the cost in lower bills because the payback period is too long and/or their property value will not increase sufficiently.

Some costs concerns will certainly be addressed through government schemes, but for households that cannot access these (through their EPC rating being too high or surpassing the income threshold), another form of support is needed.

Addressing the initial upfront cost issue could be resolved with a loan. It would save homeowners from having to immediately pay out of pocket for the work done, and instead gradually pay back what they owe. However, many of the homeowners we spoke to were reluctant to take on a loan to cover the cost of insulation, especially in the current environment where they feel the repayment of the loan would put extra pressure on household finances which are already coming under strain. Many would prefer instead to save up as and when they could, and then pay for the costs out of pocket.

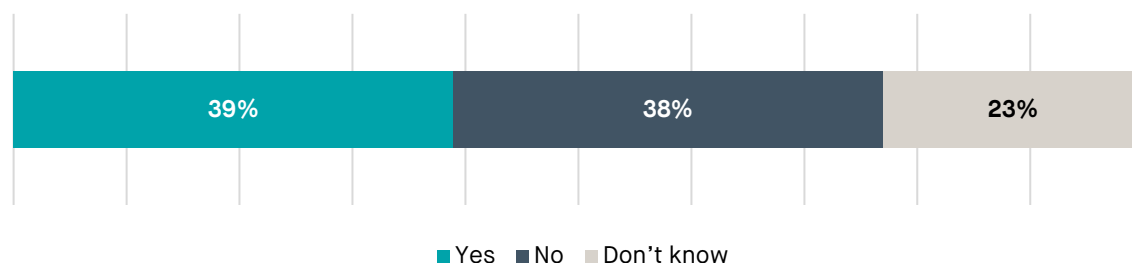
The government also has a poor history when it comes to loans for energy efficiency measures. The Green Deal was judged by the NAO to be a failure, as it was unable to persuade households that energy efficiency measures were worth paying for. The scheme was frequently changed and the loans available were simply too expensive at 7-10% APR.<sup>56</sup> It also did not cover more expensive measures, some of which may be necessary for older more poorly insulated homes, such as solid wall insulation.

A loan would also fail to fully address the concern around payback. Depending on the size of the loan and the rate of interest, homeowners may never fully recoup the benefits of insulation.

A new financial product, such as Property Linked Finance (PLF), could help to bridge some of the gap, especially in households the government considers “able to pay”. Property Linked Finance products involve a loan being attached to the property rather than to the person and come with a much longer payback period than traditional loans. The payback period is more akin to the length of a mortgage and can last even up to 40 years. This means that when, for example, a property is sold, the remaining debt is sold with it and taken on by the new party buying the property.

The size of possible investments can also mean a home could benefit from a whole house solution, making it more efficient all in one go, rather than through bits and pieces.

**Figure 16: Would you be willing to take out long term funding like Property Linked Finance to insulate your home?**

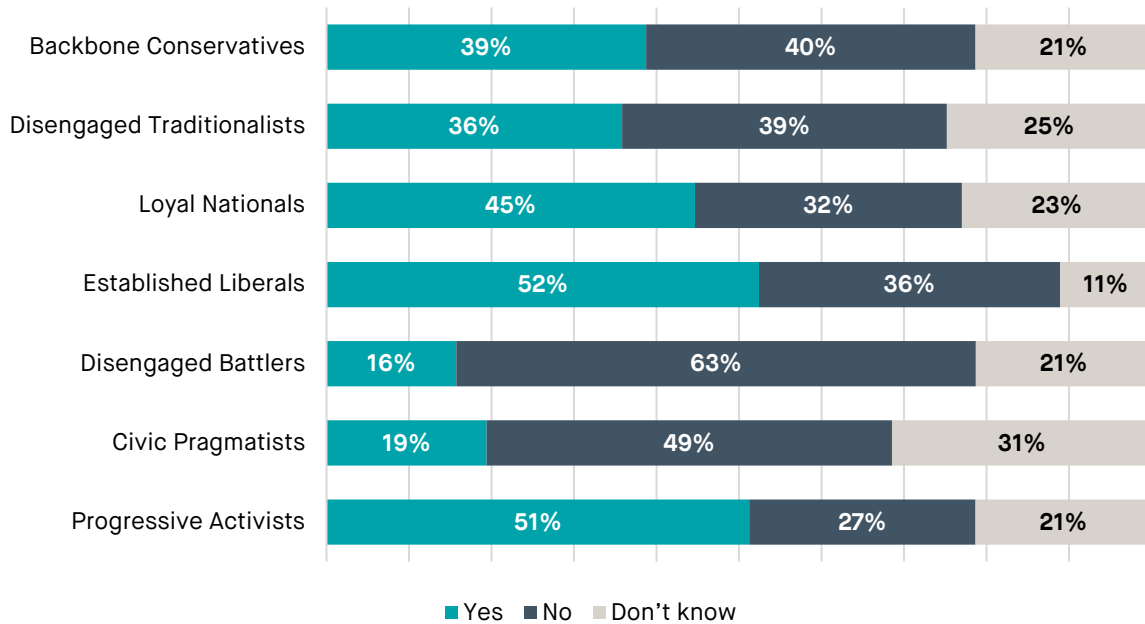


Source: SMF analysis of FocalData survey, September 2023

Our polling indicates that almost 40% of respondents would be open to using a long-term funding model like Property Linked Finance. This could be a helpful tool in encouraging a substantial proportion of the market to improve the insulation of their homes. It would both overcome the barrier of upfront cost and allay fears of a long payback period. Given the nature of PLF, homeowners would feel all the benefits of better insulation, while only covering the costs for the time they are benefiting from it, and not beyond.

This strong division remained across BTC segments, with support for a PLF system being as high as 52% among Established Liberals and as low as 16% and 19% for Disengaged Battlers and Civic Pragmatists respectively (Figure 18). These groups may be scarred from using past government loans, as well as potentially being more averse to taking on debt, even if it has a long payback period.

**Figure 17: Would you be willing to take out long term funding like Property Linked Finance to insulate your home? By BTC segment**



Source: SMF analysis of FocalData survey, September 2023

More interesting perhaps is that, when responses were broken down by income, those on the higher end of the income scale were more open to the idea than those on the lower end. Long payback systems could be a means for the so-called “able to pay” market to insulate their homes, as well as larger, listed and “hard to treat” properties owned by wealthier portions of the population.

Any system of PLF would need to be designed in such a way that it does not fall into traps of the Green Deal with high interest rates. It would also need to be flexible so that repayments could (and would) change based on the circumstances and incomes of people who buy the property, and with it the remaining finance. Given the significant portion of those who said “don’t know”, the risks and the benefits of PLF would need to be explained thoroughly and clearly to interested parties. PLF would also have to exist in tandem with current government supports for energy efficiency, particularly for low-income groups, and not act as a replacement of them.

As PLF is an established funding mechanism in other countries, the government should engage policy makers from places where PLF has been used in residential schemes and has been successful to help domestic policymakers to learn about PLF and design a system that works in the UK context.

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