



**WWF** *for a living planet*

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20<sup>th</sup> November 2008

Dear Ms Farr

**Response to the NIAUR consultation on the NI Energy Efficiency Levy Strategic and Operational Review 2008**

WWF Northern Ireland welcomes this consultation and the opportunity to respond to it. WWF Northern Ireland is part of the world's largest independent conservation organisation which operates in over 90 countries. WWF is a challenging, constructive, science-based organisation whose mission is to build a future where people live in harmony with the natural world by

- conserving the world's biodiversity
- ensuring that the use of renewable natural resources is sustainable
- reducing pollution and wasteful consumption

If you have any further questions in relation to this submission please do not hesitate to get in touch.

Yours sincerely

Geoff Nuttall  
Head of WWF Northern Ireland



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## **WWF Response to the NIAUR consultation on the NI Energy Efficiency Levy Strategic and Operational Review 2008**

### **Introduction**

WWF believes that, against the background of rising fuel prices and the need to reduce Northern Ireland's consumption of and dependence upon fossil fuels and our associated greenhouse gas emissions, there is an urgent social, economic and environmental imperative for encouraging much greater energy efficiency in our businesses and, especially, in our homes. WWF believes that the Energy Efficiency Levy has, and should continue to have an important role in achieving this greater efficiency.

Research published earlier this year ('Northern Visions,' Envirocentre, Stockholm Environment Institute) showed that in 2003, 76% of Northern Ireland's carbon footprint came from households and that 48% of this came from housing. A report launched by WWF in March 2008 entitled 'How Low: Achieving Optimal Carbon Savings from the UK's Existing Housing Stock' showed how using existing technologies, homes in Northern Ireland could reduce their carbon emissions by 28.4 per cent and that over half of this reduction (15.2 per cent) could be achieved through simple energy efficiency measures including cavity wall and loft insulation. There is both an urgent need and a major opportunity for Northern Ireland to improve the energy efficiency of its homes.

In August 2007, as part of the Northern Ireland rates review, WWF Northern Ireland presented a proposal to the then Finance Minister, Peter Robinson, for an energy efficiency rate rebate scheme to incentivise householders to undertake home energy efficiency measures, along the lines of Council Tax rebate schemes already successfully operating in England and Wales, and part-funded by the Energy Efficiency Levy. This proposal was subsequently taken forward and has since been the subject of a 'Green Rebates' consultation by the Department of Finance and Personnel. WWF's response to this consultation is enclosed for information. We believe that such a scheme represents an important first step by Government towards encouraging a major and much needed improvement in the energy efficiency of the wider Northern Ireland housing stock. By providing an incentive to improve home energy efficiency that is available to all and not just to those on benefits as with the current Warm Homes scheme, the scheme proposed in this consultation also has the potential to benefit the working fuel poor (ie those not on benefits) estimated in 2004 to number 43,000.

We believe the Energy Efficiency Levy has an important role to play in supporting and making schemes like the above a success and should continue to have an important role in incentivising energy efficiency measures for social, economic and environmental reasons.

### **Response to Specific Proposals**

- 1. Organisations other than licensed electricity suppliers should be permitted to compete for Levy funding.*

WWF supports the proposal that organisations other than electricity suppliers should be permitted to bid for Levy funding.

- 2. The Utility Regulator should seek views as to whether measures providers should be allowed to bid for Levy funding directly and as to whether controls and monitoring could compensate for the loss of transparency and prevent the inflation of measures costs.*

WWF supports the proposal that measures providers should be able to apply directly for funding, however, we would be concerned that there remains enough funding for larger-scale measures by large organisations with the potential to make major energy efficiency savings and which have the infrastructure and resources to implement and widely promote schemes.

3. *Other constraints should be placed on the identity of bidders. For example in order to avoid excessive administration costs both of handling a high number of bidders and of monitoring bidders that may be submitting schemes purely in their own interests, schemes should be of a minimum size, say, £10,000 of Levy funding. Bidders should be or use reputable contractors.*

WWF would support the minimum bid limit proposed of £10,000 of Levy funding.

4. *A number of constraints under the existing scheme should be retained and kept under review, depending upon the success of the more competitive arrangements, i.e.*
  - *incentive payments to encourage schemes to maximise the energy savings measures obtained for Levy funding;*
  - *the requirement to provide transparency of the costs of measures;*
  - *controls on the level of management and administrative expenses.*

WWF supports these recommendations.

5. *The incentive rate should be reduced from the current £5120/GWh to £1000/GWh, whilst experience of the extent of competition for funds can be assessed.*

WWF acknowledges that the incentive payments must be set at a level which promotes additional and cost-effective energy savings whilst ensuring they provide a sufficient inducement to bidders to seek this payment. We therefore support this initial reduction and the intention to review the level in the light of experience.

6. *More realistic targets should be set by ensuring that the assumptions regarding the mix of measures, the fuel mix and third party funding are more realistic of actual outturns. For the first year, the contribution to the incentive target for each scheme should be based on an average of the marginal cost effectiveness of the group and the cost-effectiveness of the specific scheme. To prevent any distortion to incentives, schemes with such outlying costs could be excluded from the group average calculation.*

WWF supports these recommendations.

7. *Additional clarity should be introduced into the Framework Document, specifically for situations where, thus far, rules have not been needed.*

WWF supports this recommendation.

8. *No specific arrangements for underperformance should be introduced, other than that funding will be pro-rated by the energy savings achieved. However, if underperformance becomes an issue, more onerous arrangements for under-performance should be introduced.*

WWF believes there should be close monitoring of performance and consideration given to more onerous measures for underperformance if this becomes an issue.

9. *Pending analysis of the 2006 House Condition Survey, the Utility Regulator should seek views as to the scope for further energy savings measures. In the absence of views to the contrary,*

*the size of the Levy should remain broadly at current levels for the first year (with appropriate indexation). Taking the reduction in incentive payments into account, the funding for measures costs should be increased by £1m which would, except in the event of a very large increase in energy savings, not result in any increase in the total Levy funding including incentives. The size of the Levy should be kept under review, based on the nature and number of schemes submitted. If there is a high demand for funding whilst scheme costs remain acceptably low, consideration should be given to increasing the size of the fund in later years.*

In view of the major scope and urgent economic and environmental imperative which to improve the overall energy performance of the Northern Ireland Housing stock, we believe now is the time to increase the size of the Levy which remains significantly lower than for the Energy Efficiency Commitment in Great Britain.

***10. The relative focus of the scheme on priority schemes - currently 80% - should be reviewed in light of: (i) the 2006 House Condition Survey; (ii) the Utility Regulator seeking views on the issue; (iii) further detail emerging of other initiatives to assist the fuel poor; and (iv) on an ongoing basis, depending upon the types of schemes that are submitted following changes to permit non-suppliers to bid for Levy funding.***

WWF supports this recommendation.

***11. The emphasis of whole house solutions should be lessened with a view to enabling measures to be spread over a larger number of homes within the priority group with a view to levelling up the worst cases of fuel poverty or maximising energy efficiency gains alleviating fuel poverty. Whole house solutions should be selected on the grounds of their cost-effectiveness.***

Future emphasis should be on addressing the worst cases of fuel poverty and on maximising energy efficiency gains across the Northern Ireland Housing stock. The latter will ultimately require a whole house approach to all housing in Northern Ireland and so it is important that some whole house approaches are supported to show the way all housing will need to go in the future. Sufficient resources from the Levy and other sources are urgently required to achieve the energy efficient housing stock we need. For this reason WWF believes the EEL needs to be increased along with other sources of funding to make the urgent investment that is needed.

***12. Views should be sought as to whether schemes should be permitted to assist with the purchase cost of heating oil and, if so, how this assistance should be prevented from going beyond that necessary to give effect to energy efficiency and becoming, instead, a pure subsidy of fuel purchase.***

WWF opposes the proposal to use Levy funding for the purchase of oil. The Levy should instead be used to encourage energy and cost savings by improving energy efficiency and by supplying technologies that have reduced ongoing running costs and are more environmentally sustainable. This could include support for renewable fuel technologies and fuels (eg wood pellet systems/fuel) which are not only more environmentally sustainable but already more cost-effective for home heating than oil.

***13. The Utility Regulator should seek views on ending the segregation of funds between non-priority domestic measures and non-priority commercial measures, in order to maximise energy efficiency gains.***

WWF supports this recommendation.

***14. The 20% additionality criterion should be augmented by a requirement for scheme proposals to justify why measures are additional.***

WWF supports this recommendation.

***15. The 5% cap on indirect costs should be replaced by a more sophisticated criterion. Views should be sought on the appropriate form and level of the cap to ensure that, whilst the allowance for indirect costs is realistic, the maximum funds are available to be spent on measures.***

WWF supports this recommendation.

***16. The raising of Levy funds should not be extended to gas unless it is also extended to oil.***

We acknowledge that applying the Levy to gas but not to oil might appear perverse. However, the application of the Levy to electricity but not to gas or oil could be regarded as equally perverse. Excluding gas suppliers from the Levy also closes down the opportunity for (and indeed obligation) on gas suppliers to initiate large-scale energy efficiency schemes such as the widespread Council Tax energy efficiency rebate schemes supported by British Gas in England and Wales. We believe that issue of extending the Levy to gas should be kept under review alongside consideration of measures to ensure oil suppliers also play a part in encouraging energy efficiency.

***17. The option of placing obligations on suppliers to submit a certain quantity of schemes should not be introduced initially but this should be kept under review in light of experience of operation of the scheme.***

WWF supports this recommendation.

***18. The Utility Regulator should seek views as to whether scheme sponsors should be required to explain to customers the origin of funds used to pay for measures or whether it might be appropriate to apply this requirement only to dominant suppliers.***

WWF supports the recommendation to seek views on this proposal.