



## **Review of Domestic Rating Green Rebates**

*Comments by*

**Northern Ireland Environment Link**

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Northern Ireland Environment Link is the networking and forum body for non-statutory organisations concerned with the environment of Northern Ireland. Its 51 Full Members represent over 85,000 individuals, 262 subsidiary groups, have an annual turnover of £100 million and manage over 314,000 acres of land. Members are involved in environmental issues of all types and at all levels from the local community to the global environment.

These comments are agreed by Members, but some members may be providing independent comments as well. If you would like to discuss these comments we would be delighted to do so.

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## **Welcome for the Review of Domestic Rating**

Northern Ireland Environment Link (NIEL) welcomes the Review of Domestic Rating (Green Rebates) and the opportunity to make comments. We believe the proposals to introduce a rates rebate for households that undertake approved home insulation work, as well as a rates holiday for the first residents of new houses that meet the proposed new standard for zero carbon is an important first step towards promoting energy efficiency and the reduction of household carbon emissions. Both proposals represent an opportunity for Northern Ireland to address many key issues in relation to the environmental impacts of both our new and existing housing stock and our contribution to climate change in particular.

### **1. What are your views on the proposal to provide a rates rebate for households that carry out energy efficiency improvements to their properties?**

NIEL is particularly supportive of the proposal to provide a rates rebate to households that carry out energy efficiency improvements. We believe this proposal represents an excellent opportunity to:

- Reduce Northern Ireland's carbon emissions through greater household energy efficiency achieved by the installation of loft/ cavity insulation, etc. NIEL believes that measures should be introduced to make all Northern Ireland's housing stock more energy efficient. Approximately 500,000 homes in Northern Ireland have either no loft insulation or have insulation below the recommended levels of 270mm, while some 70,000 homes would benefit from cavity wall insulation. However, as NI has as many solid wall properties as cavity wall properties, rebates should also be made for the installation of solid wall insulation. DEFRA estimates that buildings are responsible for 54% of national carbon dioxide emissions, half of which is produced by residential property. Moreover, UK buildings account for 40-50% of the energy, water and resources consumed, and for a similar amount of the pollution created. To achieve sustainable housing we must improve our existing housing stock as well as strive to make new residential developments more sustainable. As well as providing an opportunity for householders to save hundreds of pounds on fuel bills each year, it is estimated that these energy efficiency measures could reduce household carbon emissions by up to one-third.
- Provide assistance to those suffering from fuel poverty in Northern Ireland and to those who struggle to pay their fuel bills by reducing their fuel needs. While the proposals are not specifically designed to tackle fuel poverty, households which undertake appropriate insulation measures are more likely to be able to escape from fuel poverty.

A decision to implement these proposals is also supported by the findings of the Continuous Household Survey Bulletin 2006/07. The bulletin reported that 81% of households were very concerned or fairly concerned about the environment in 2006-07. The most commonly cited environmental concerns were climate change (34%), household waste disposal (33%) and traffic exhaust fumes and urban smog (32%). It is worth noting that the proportion of households citing climate change as an important problem has increased significantly each year since 2003-04. Practical schemes such as this which help tackle climate change and improve quality of life must be encouraged and replicated.

Energy efficiency measures are the first steps that householders should take to reduce the buildings footprint. However, there are many properties where further efficiency measures are not possible. NIEL, therefore, advocates the provision of

incentives (rates rebates) for carbon savings achieved by the installation of renewable energy technologies, such as wood burning stoves, etc, when insulation, etc has been fully utilised.

**2. What are your views on the preferred means of delivery for the rate rebate, that is in partnership with the NIE Energy insulation cash-back scheme?**

NIEL supports the development of a partnership arrangement with NIE Energy regarding the delivery of the rate rebate scheme. An arrangement whereby the NIE Energy Insulation Cash-back Scheme and the Green Rates Rebate Scheme are implemented in tandem would be preferable to a situation where both schemes were promoted and administered independently by separate implementing organisations. A single entity responsible for both schemes would provide an economy of scale and ensure the maximum level of funding is directed towards the funding of insulation activities while minimising administrative costs. While NIE is currently the only energy provider availing of the Energy Efficiency Fund levy, any partnership arrangement would have to ensure the future entrance of other energy suppliers in the Northern Ireland market are not disadvantaged by this partnership arrangement with NIE.

**3. What are your views on limiting the rate rebate scheme to owner occupying households only?**

As previously mentioned, NIEL believes that measures should be introduced to ensure our entire housing stock becomes more energy efficient. The private rented sector incorporates a considerable proportion of Northern Ireland's housing stock. We note the proposal to exclude the private rented sector from the Green Rebates Scheme is made as other tax allowances are available for landlords to carry out energy efficiency improvements. The potential uptake of these tax allowances will be increased by the introduction of mandatory energy rating certificates for their rental properties in December 2008. The certificates should not only encourage landlords to increase the energy efficiency of their property but also provide potential tenants with valuable information on which to base their choice of rental property.

The uptake of the rate rebate scheme and the rental tax exemptions should be closely monitored to ensure that they are delivering the intended outcome: that is a significant improvement in the energy efficiency of Northern Ireland's housing stock. The Government should set annual targets to upgrade a stated percentage of the existing housing stock to the recommended insulation levels and a stated percentage to 'zero-carbon' standards. NIEL believes that an annual target to upgrade 3-4% of Northern Ireland's existing housing stock is a reasonable target. A similar scheme in Germany currently aims to bring all pre-1984 dwellings up to the current German new build energy standard over 20 years, at a rate of 5 per cent of properties per annum. In Northern Ireland, if the rates rebate and tax exemption schemes are not delivering these targets further measures should be introduced, such as grants, low-interest loans and lower VAT on the cost of energy efficiency improvements as well as the introduction of improved feed-in tariffs.

**4. What are your views on the option of providing a higher level of rebate than is currently awarded in terms of the cash-back scheme?**

NIEL agrees that the introduction of a higher level of rebate than is currently available through the cash-back scheme is likely to make the rebate scheme more attractive to the public. Overall NIEL is supportive of any action which would promote the uptake of either scheme as both schemes would contribute to achieving greater energy efficiency, a reduction in carbon emissions and a reduction in fuel poverty.

## **5. What are your views on the proposal to introduce an initial exemption for new zero carbon homes?**

NIEL agrees with the proposal to introduce an initial exemption for new zero carbon homes. Such a proposal will increase the supply and demand for zero carbon homes. NIEL believes that all new homes should be zero carbon and the exemption proposal is an important step towards achieving this goal.

## **6. What are your views on providing this initial exemption to the first residents, rather than first purchaser, of such homes (so that self builds and buy to lets are included)?**

NIEL is supportive of the view that the initial exemption should be applied to the first residents of new zero carbon homes so as to allow for the inclusion of self builds and buy to lets. We believe this measure needs to be introduced as soon as possible considering the Construction Employers Federation have recently stated that there is already a two year surplus of new and second-hand housing on the market. If Northern Ireland is to improve the energy efficiency of its housing stock and significantly reduce its domestic carbon emissions, all new builds should incorporate enhanced energy efficiency and zero carbon emissions measures into their design. Residents of private rental properties with zero carbon ratings should also benefit from the initial exemption as, once again, this should lead to an increased demand for the availability of zero carbon housing.

## **7. What are your views on the Department's approach to the definition of 'zero carbon'?**

NIEL agrees that there is a need for a shared definition for zero carbon homes that could be used consistently across government to ensure public confidence and recognition of the concept. NIEL supports the views of the Zero Carbon Task Group that:

- All new buildings must meet strict minimum energy efficiency parameters as part of the definition of 'zero carbon', both in terms of the building design and appliances where supplied by developers.
- All new buildings should seek to mitigate predicted carbon emissions from all energy uses via on- or near-site solutions. Where this is not possible, a minimum level of carbon mitigation must be required (e.g. 100% regulated energy) on- or near-site.
- Above this threshold either:
  - Off-site solutions could be allowed, without requiring private wire networks, provided that they are demonstrably additional and have been built specifically to deliver the energy needs of the development.
  - The developer can pay into a 'Community Energy Fund' that will ensure equal or greater net carbon savings are delivered through new installations. **(NB: The price of paying into the fund should be set at a margin above the cost of community-scale solutions so as to clearly incentivise the installation of on-site or local measures first.)**

While DFP should utilise the definition and guidelines outlined above, Government must establish clear targets in relation to the creation of new zero carbon housing.

NIEL therefore proposes that Northern Ireland should adopt the UK goal for all new homes to be zero carbon by 2016.

NIEL supports in principle the proposal to introduce 'tapering' to the proposed scheme i.e. a sliding scale of support available for homes according to their energy performance. NIEL proposes that the level of support available per house is based upon a Standard Assessment Procedure whereby each household is assessed (A - G) according to its space heating, water heating and lighting energy requirements per square metre. The level of support provided should be structured in such a way as to incentivise the achievement of the highest possible level of energy performance.

In order to meet this zero carbon target, the Task Force Report strongly encourages the use of microgeneration while acknowledging that flexibility be given to provide energy from further afield if it is not practical or cost affective to generate renewable energy on-site and where there is proof that the project was a genuine addition to the UK's renewable-energy provision, and that the energy would be used to power that specific development.

It is interesting to note that the DFP consultation document states that:

*Specific consideration would also need to be given to near-site renewables and off-site renewables where on-site generation is not possible due to lack of room on the particular (house) site in question.*

NIEL would therefore advocate the introduction of a mandatory microgeneration requirement into new buildings, with the caveat above. This represents a reversal of the previous decision to abandon this policy by the former Minister for Finance and Personnel, Peter Robinson. Renewables should not be instead of high insulation standards but in addition and above maximum insulation.

Unless this microgeneration decision is reversed, Northern Ireland will continue to fall behind most of the UK where typically 10% of a new development's energy must be from embedded renewable technologies (known as the Merton Rule). NIEL therefore proposes that the Merton Rule be applied in Northern Ireland as it would not only serve to help us achieve the 2016 targets proposed earlier but would also support the developing microgeneration industry in Northern Ireland which already faces uncertainty as there has been no commitment, as yet, to extending the Environment and Renewable Energy Fund. Given the considerable financial outlay required, NIEL proposes that the rates rebate be made available to householders who invest in microgeneration technology.

A recent report from the Renewables Advisory Board (RAB), which advises the UK Government on renewable energy issues, provided the first in depth analysis of the role of onsite energy generation in the delivery of the Government's policy of ensuring that all new homes are zero carbon from 2016. Amongst its conclusions is that the policy could drive a market for onsite renewable worth £2.3 billion a year from 2016; this is a significant market for Northern Ireland companies. However, the report also warns that the capacity of the microgeneration industry must be developed now and that it will require support to drive innovation and competitiveness.

The RAB report also states that the average cost of meeting zero carbon standards from on site renewables is expected to be £6,000 per dwelling. This price can be passed on to the customer without significantly affecting the final house price as the buyer will benefit from stamp duty relief. The occupant will also benefit from the annual fuel bill savings (this is particularly relevant as over 300,000 people in

Northern Ireland are in fuel poverty due to increasing fuel costs and poor housing quality) and from rates relief. Microgeneration would also be made more attractive if 'net-metering' and more realistic feed-in-tariffs for energy sold to the grid were introduced in Northern Ireland.

Between 8,000 and 10,000 new houses are built every year in Northern Ireland. These houses are still being built to sub-optimal standards and will be heated and powered by ever more expensive fuels. The rest of the UK and the Republic of Ireland are intent on improving their building standards and we should not lag further and further behind. We hope the Minister reconsiders his decision regarding mandatory microgeneration and that consideration be given to improving building insulation standards through enhanced building regulations in the very near future. This is the time to raise housing standards, reduce fuel costs in the new build sector and encourage the next wave of successful Northern Ireland companies.

### **General Comments**

While NIEL supports the initial exemption as a positive step, we believe that continuing support should be made available to householders who are striving to achieve the highest standards of energy efficiency. Householder's rates bills should therefore reflect and reward energy efficiency on a year on year basis. The standard required to qualify for the rebate would increase with time with homes with a zero carbon status enjoying the lowest rates.

We thank you for the opportunity to make these comments. We hope that you find them helpful and that they will be taken into account in your decision. If you would like to discuss them further please do contact us.