



The Future of Energy Efficiency Finance Warm Up New Zealand: Heat Smart

3 March 2012 | Prepared By Christine Patterson

Warm Up New Zealand: Heat Smart

- An insulation programme offering insulation and clean heating to all pre 2000 homes
- Aims to retrofit over 188,500 homes over four years
- Budget of \$347 million
- More than 130,000 homes completed to date



Government Financial Assistance Provided by the Programme

	Insulation	Clean Heating
☉ All eligible houses ☉ built before 2000 ☉	33% of total cost up to \$1300 (incl. GST)	\$500 incl. GST
☉ CSC Holders ☉	60% of total cost*	\$1200 incl. GST
☉ Landlords with CSC ☉ Holding tenants	60% of the total cost	\$500 incl. GST
☉	* In some regions the total provided to CSC holders may be higher, where third party funding from charities, lines companies or councils is provided.	

Other Financial Assistance

For insulation

Average house cost to purchase and install insulation in the ceiling is \$3100 per household. The average cost to the general income householder minus the grant is \$2077 incl. GST. The average potential cost to the CSC holder is \$1240.

Householder contribution

This level of investment by the householder negates any significant freerider effect.

Third Party Funding

2009/10 \$13 million

2010/11 and subsequent years around \$18-\$20 million pa

EECA estimates that, over 4 years, over \$60 million in third party funding will have been committed to retrofitting low income homes.

Even where no third party funding is applied, every government dollar attracts on average \$2.40 from the household paying for their energy efficiency retrofit.

Market research shows that both homeowners and third party funders are motivated to make this investment.

Third Party Funding: Sources

- Private companies
- Electricity Lines companies
- Charitable Trusts
- Councils
- Banks
- Other Government Agencies
- City and Regional Councils
- Iwi
- Health Boards or organisations

Voluntary Targeted Rate Schemes

- ① The difference between the total retrofit cost and the EECA grant is advanced by the Council as a Voluntary Targeted Rate (VTR)
- ① The VTR goes on the home owner's rates bill over the repayment period of 9-10 years
- ① Council administration costs are recovered along with the Council's cost of capital, via an interest rate as part of the repayment
- ① There is a willing market for insulation and **VTR breaks down the financial barrier for uptake by the home owner**
- ① The repayments are offset by savings made by having insulation installed, e.g. lower energy costs and reduced medical cost
- ① Claims for VTR are identified in your claim to EECA & only paid by the council when EECA confirms claim

Banks

- ☉ Mortgage holders may be able to add to the mortgage to cover the costs of insulation.
- ☉ All fees associated with adding to the mortgage waived.
- ☉ Three major banks are signed up to the programme.
- ☉ Other banks are about to come on board.

Special Projects and Third Party Funding

- ④ EECA will consider special projects on a case by case basis;
- ④ with confirmed third party funding
- ④ proposing case studies
- ④ addressing a specific remote area: or
- ④ specific health needs group
- ④ proposing a new method of delivery
- ④ third party funding must be verified before approval

Energy Efficiency Improvements

Programme does not consider energy benefits in isolation

Objectives of the programme

- ① Stimulate Uptake by the public
- ① Effectiveness of delivery
- ① Level of support from private sector partnerships
- ① Energy savings
- ① Health benefits
- ① Stimulating the supply and demand side for energy efficiency upgrades

Conclusions

Rebound effect

Always going to occur. This will reduce the energy savings.

However

These rebound effects are likely to result in significant health improvements.

New Zealand houses are cold and under-heated.

Winter indoor temperatures being on average 2 degrees lower than the minimums recommended by the WHO.

Involvement by Third Party Funders including householders

Critical to the success of the programme

New Zealand Health Minister Tony Ryall:

“This will, I think come to be seen as the most significant health policy initiative of the decade”

Warm Up New Zealand: Heat Smart's
100,000th home

