



EnergyWise Home Grants – how can EECA’s so-called “improvements” produce such potentially disastrous outcomes?

**A submission to EECA from CEA¹ on the EWHG Review and the application of
the review recommendations into the latest tender round**

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24 June 2008**

Introduction

In August 2007 EECA began a review of the EnergyWise Home Grants (EWHGs) scheme, the Government’s main mechanism for assisting with energy efficiency improvements for low income households. CEA welcomed the review, and the consultation with stakeholders that EECA embarked on. While acknowledging the importance of EWHG in enabling insulation retrofitting of low income households, CEA has long held the view that the EWHG scheme was seriously flawed and inadequate, specifically:

- a. The level of funding made available from central government was too low, thus putting unreasonable requirements on local co-funders.
- b. The lack of an ‘outcomes’ basis for the scheme i.e. it is not designed around consistently fixing problems (such as turning cold, unaffordably heated houses into warm, affordably heated ones); rather, it just funds a prescribed and limited range of energy efficiency measures.

¹ Community Energy Action (CEA) is a private charitable trust formed in 1994.

- c. The scheme contained a number of discriminatory funding rules e.g. different levels of funding between Strategic Partnerships and tenders.

The lack of a clearly articulated philosophical underpinning (as indicated by the points noted above) meant that over the years the scheme was prone to ad-hoc changes and inconsistencies.

CEA was consulted by EECA on the review via an unstructured interview with the Chair and CE on 10 August 2007. CEA subsequently initiated a presentation to EECA on 30 October 2007 which outlined key characteristics of CEA's 'flagship' fuel-poverty-focused projects. The presentation was made to EECA to describe how more outcome-oriented projects can be designed and implemented, and what additional resources are needed. CEA was not consulted at any other stage through the process, and did not have the opportunity to comment on the draft report or recommendations.

On 11 March members of EECN (Energy Efficiency Community Network) were given a briefing on the EWHG Review recommendations by the EECA Chief Executive. This was followed up by EECN members being sent the two page summary of the 24 EWHG Review recommendations. On 17 March we subsequently requested access to the full report because we were finding it hard to understand the meaning or context for a number of the recommendations. It took several weeks, and many reminders, for the full report to be made available – it was finally released on 21 April 2008 to EnergyWise partners². In the meantime, EECA issued an RFP for the EWHG tender round for 2008/09 in late March. It became clear, once we were able to see the EWHG Review report, that the tender specifications incorporated a number of the EWHG Review recommendations.

Critique

A number of the 24 recommendations contained in the EWHG Review are a step in the right direction. But the core recommendations on funding, when combined with EECA's

² EECA, 2007. Review of EnergyWise Homes Grants. Government Advice Team. December 2007. 43pp.

new operational practice as revealed by the 2008/09 EWHG RFP, represent a huge step backward, not forward. The following outlines CEA's core objections.

1. The funding ratio increases for Strategic Partnerships...but there will be a significant decrease for those using tenders

In the Review document EECA makes much of the recommendation to increase the funding ratio for Strategic Partnerships (SPs) from 3:1 to 2:1 (we agree, it is a good thing – although relative only to the status quo). But EECA's representation of the so-called benefits of SPs is confusing to the point of obfuscation (p14-16).

While there are several positive attributes of SPs that both EECA and EWHG partners would agree on, EECA has blurred the distinction between their own attitude to SPs and that of EWHG partners on one crucial issue. We cannot speak for all EWHG partners, but all the ones we know would disagree vehemently with the statement that *“Strategic partnerships are the preferred mechanism for EECA and EWHGs partners as...strategic partnerships attract high ratios of third-party funding...”* (p14). Let's be very clear – EECA and the government prefer strategic partnerships for this reason. For CEA (and other EWHG partners that we know) this is exactly why there is so much difficulty in getting them established. To date CEA has tried, but has not been successful in forming a strategic partnership in Christchurch because of an inability to attract sufficient co-funding, which is why we have used the tender route to date.

The Review report makes it clear that tenders will no longer be a funding source for ongoing retrofit projects (which will instead will be focussed on start-ups), but fails to acknowledge the nature of the transition period adjustments that will be required by EWHG partners in moving from the funding ratios achieved through tendering to the new SP ratio of 2:1. The Review states that the average tender ratio is currently 1.6:1, which may give the impression that moving to a ratio of 2:1 will not be too difficult. But for those on tenders this means finding another \$0.7M from co-funders to support the same level of

activity (note that EECA funding would decrease by the same amount)³. Most tenderers choose this route because they operate small projects, many in very deprived areas of the country, and have difficulty attracting higher levels of 3rd party funding. As well, there is a generally acknowledged increase in ‘co-funder fatigue’ in the community, meaning that maintaining current levels of co-funding in some areas is proving extremely difficult, let alone increasing co-funding. We are at a loss to understand why the EECA Review failed completely to draw out the implications of this issue on tender-holders.

For CEA, current EECA contributions on its two tender projects are 46% and 48%. Moving to a SP funding rate of 33.3%, and supporting the same level of activity, CEA would have to find an additional \$150,000 of local co-funding.

While a funding ratio increase for SPs is welcome, the result for tender holders is completely unfavourable. The EWHG Review has been remiss in not explaining the negative financial implications for tender holders, many of which run projects in the most deprived areas of the country, with difficulty attracting high levels of 3rd party funding.

2. EECA recommends there be ‘tiered’ government funding for strategic partnerships

The EWHG review recommends higher levels of government funding for large co-funding commitments – so-called tiered, or progressive funding. The rationale is stated as “*to reward major contributors to the scheme and attract more third-party funding*”. The Review provides an example of how this might work – “*a third-party funding agency providing over \$3m per annum could receive one dollar of government funding to \$1.50 of third-party funding, agencies providing over \$6m per annum an equal ratio of government funding*” (p16).

CEA is totally opposed to the tiered funding proposal. Tiered funding simply rewards local constituencies that already have a high level of resources to invest in these projects.

³ Based on almost \$5M of EECA monies being allocated through tenders in the current year 2007/08 (from information EECA presented to EWHG Partners last year), implying some \$8M is sourced from co-funders (including householder contributions).

This policy will further discriminate against smaller projects and communities with fewer resources. It would exacerbate funding inequalities, and may even work to exacerbate funding equalities within, as well as between communities. We will illustrate this with our own local example in Christchurch.

CEA shares EWHG customers in Christchurch with Environment Canterbury (ECan). ECan deals only with low income customers that have existing solid fuel heating, while CEA deals with all other customers. ECan currently has a SP with EECA, and provides the local co-funding share entirely through property rates levied across all Christchurch households⁴. Under the EWHG tiered funding proposal, ECan's SP, because of its scale, might conceivably reach a required threshold to receive preferential funding from government. CEA, on the other hand, operating in exactly the same market but targeting a larger number of low income households, and with fewer resources (and no ability to rate local households!), would receive the standard SP funding ratio.

It is a complete nonsense. The policy recommendation represents an insidious undermining of local, community-based initiatives which by their nature are often small scale but highly effective projects. It goes totally against a needs-based philosophy which should be the underpinning principle of EWHG.

The tiered funding proposal goes totally against the needs based philosophy which should underpin EWHG and will further discriminate against smaller projects and communities with fewer resources.

3. EECA recommends that EWHG projects can contain up to 20% of non-target group houses

EECA has rightly corrected the current inconsistency between SPs and tenders regarding the allowable proportion of non-target group houses. The 20% allowance seems reasonable. But the fundamental question of why non-target group houses should be

⁴ Note that all households are rated but only a small proportion (about 20%) are eligible to receive the funding assistance.

allowed into a low income-focussed programme is not asked. Instead, the ongoing EWHG rationale, that the non-target group is essentially a means of upping 3rd party funding by targeting higher income households, is accepted without question. Indeed EECA's tender documentation for the 2008/09 EWHG tender round provides a specific example of the way in which a significant proportion of 3rd party funding (18% in the example given) could be provided in this way⁵.

CEA objects to this for three reasons:

- Philosophical – we believe that EWHGs exist to assist low income and other needy households achieve warmer, healthier and more energy efficient homes. If the 20% non-target group rule was there to enable needy households that just miss out on qualifying for EWHG to gain access to the scheme, at comparable rates of assistance, it would be highly desirable because those households just above the Community Services Card level are *“just about as unable to afford the payments as those who are just below the cut-off, and are often those with much higher levels of other household expenses such as mortgages”*⁶. Unfortunately, this does not appear to be recognised, so the 20% rule seems to simply be another avenue to allow government to justify its very low funding ratios. Also, it dilutes the focus of EWHG by distracting attention from key target groups.
- Practical - CEA's business model requires targeting a much larger number of full paying, general income customers than could be accommodated through the '20% rule'. We have tried in the past, but found that operating a two tier pricing system is extremely difficult to manage and present fairly to the public, so have abandoned it. We think that the '20% rule', if it is focussed on attracting high income customers, can act as a disincentive to chase larger numbers of general income customers.
- Consistency - the incentive provided to high income households through the '20% rule' may result in an inconsistent level of subsidisation available from the government

⁵ EECA. 2008. EnergyWise Home Grants Tender Round Application Guidebook 2008/09 (example cited on p15).

⁶ Taylor Baines Associates et al. 2005. Warm Homes Technical Report. Social Drivers Phase 2 Report. Ministry for the Environment.

schemes. For example, the EWHG general income subsidy now has to sit alongside a product specifically designed for the non-low income segment of the market – EnergyWise Funding. In the EECA example in the 2008/09 Home Grant Application guidebook they cite a general income household contributing \$1,200 out of \$2,000 total cost, leaving \$800 as the value of the household subsidy. Yet in the EnergyWise Funding scheme, EECA has set a limit of \$500 on the subsidy to middle income households when the subsidy is provided as a grant. In other words, higher income households that are ineligible for the loans scheme (because their income is too high) could receive higher levels of assistance by being included as part of the 20% non-target group – a ridiculous outcome, and an inconsistency which is seemingly ignored.

It is acknowledged that EECA has signalled the development of a *“needs-based allocation for EWHGs to prioritise assistance to households most in need”* (Rec 20). But reporting is not due until June 2009, and energy NGOs are not included in the list of parties to be involved in this work.

The 20% general income ‘concession’ is not properly targeted, distorts EWHG achievement, and creates further inconsistencies in the assistance levels available to general income households. Its sole purpose appears to be as a means of increasing 3rd party funding, rather than targeting those needy households who just fail to qualify for low income assistance.

4. EECA recommends increased funding for Clean Heating...but discriminatory rules still seem to apply

On the face of it, further assistance for heating would be warmly welcomed. An ongoing concern of CEA for many years has been EWHG’s almost sole focus on insulation, with no assistance available for heating. CEA’s rationale is that insulation on its own, especially in colder parts of the country, is not a solution to cold house issues. For example, the Wellington School of Medicine Housing Insulation and Public Health Study found an average temperature lift of only 0.5°C from ceiling and underfloor insulation. This temperature lift, while not insignificant, must be supplemented by sustainable and affordable heating if we are to transform the stock of cold, unhealthy houses.

The small Clean Heating fund introduced last year restricted access to those households with solid fuel heating in areas of high air pollution. Essentially it prioritised assistance to areas having to meet the 2013 NES for air quality. It appears that EECA's recommendation for more Clean Heating funding is to continue with this model.

We think this policy is hugely remiss. It ignores the research that government itself has funded (HEEP) showing that the coldest houses are heated by non-solid fuel means (e.g. bar heaters and unflued gas) as well as open fires⁷. CEA remains unable to access any of this assistance even although we provide heating solutions for high-need households identified through community referral processes (these are typically houses with some of the riskiest indoor conditions for occupants - cold, damp and polluted inside air). These households use unflued LPG heaters, or portable electric heaters, not solid fuels, so they do not qualify for government assistance⁸. Yet they are high priority cases, needing assistance now. The assistance that CEA is able to provide is very patchy because it relies on CEA's efforts to cobble together additional funding from a range of other co-funders.

CEA is also aware that setting criteria to prioritise those with a solid fuel appliance is no guarantee that effective pollution mitigation is actually occurring. Significantly more households possess a solid fuel appliance than use it on a regular basis (especially those using open fires). In some areas perhaps up to half of households that might qualify for Clean Heating grants are actually not serious solid fuel users. This makes a nonsense of the prioritisation that government has set for its Clean Heat funding.

If the increase in funding for Clean Heating retrofits continues to be applied only for replacing solid fuel appliances in high air pollution areas it will continue a poorly targeted, discriminatory funding regime that ignores some of the most needy cases of cold, damp and polluted houses.

⁷ The HEEP study measured average living room temperatures and showed a graduation, with houses heated predominantly with open fires, portable electricity and portable unflued LPG heaters being the coldest.

⁸ Environment Canterbury's Clean Heat programme provides 100% heating assistance for houses with solid fuels. CEA refers all such houses to this programme and concentrates instead on houses heated with electricity and LPG.

5. Increasing the stringency of insulation R-values of EWHG retrofits

EECA's recommendation to increase the stringency of insulation R-values is supported in principle, especially the replacement of underfloor foil products with something better, more durable and safer to install. But EECA's approach in practice (through the RFP issued in late March) – requiring new product immediately, without full trialling, without allowing for the availability of competing products in the market, and with cost increases up to 150% - is totally unacceptable.

CEA supports the rationale for a change in product. In August 2007 EECN wrote to EECA on the proposed EnergyWise Funding RFI, and commented on the proposed increase in underfloor insulation specifications:

“We fully support EECA in trying to find an alternative product to plain foil that combines the attributes of being safer to install, easy to install across all housing situations and locations, higher R value, greater longevity, and cost effectiveness. EECN members offer to do all they can to assist in this quest. What we would ask is that rather than just leaving this to ‘the market’ to resolve, EECA initiates an open and transparent programme to find and test practical alternatives to foil. This might entail piloting and appraising new solutions, with a fund specifically for this purpose. It is an open, co-operative, problem solving approach designed to give a fair appraisal of all possible products. It also needs to be followed up by EECA with a sensible process to ensure the take up of new solutions and technologies including sufficient funding support”⁹.

CEA was pleased with the process begun by EECA and was happy to be involved in the initial evaluation process. Right up until late March we understood that the next stage in the process was a larger 20 house evaluation (to be carried out between EECA, CEA and EnergySmart), which would have further helped sort out installation issues and costs, allowed time for some further product options, enabled information to be shared, and given some time to work through cost implications with EECA and other co-funders. Alas, this was abandoned by EECA without notice, the 2008/09 EWHG tender documents cemented in the new specifications, and CEA was left gobsmacked at the implications.

⁹ Submission by EECN on EECA's "EnergyWise Homes – Request for Information". 31 August 2007.

The main implication is the cost – for CEA the installed cost has gone from \$6.84/m² for foil to an estimated \$17/m² for the new product, an increase of about \$1,000 for a 100m² house. The cost implications are set out in Table 1, showing the difference between the current situation using foil (tender-based, 47% average contribution from EECA), to a SP using the new products (33.3% average contribution from EECA).

Table 1 Comparison of underfloor costs: CEA current contract (foil) vs Strategic Partnership (new product)¹⁰ (100m² house - excl GST)

Funding split	Current contracts (47% EECA: 54% 3rd party)	Strategic Partnership (33%EECA:67% 3rd party)
EECA share	\$321	\$567
3 rd party share	\$363	\$1,133
Total	\$684	\$1,700

With the new product, under current prices the share contributed by EECA increases from \$321 to \$567 (+\$246 or a 77% increase). But the contribution required from 3rd parties will increase from \$363 to an estimated \$1,133 – an increase of \$770 or a 212% increase. Even if CEA was starting from an existing Strategic Partnership at the current 3:1 funding ratio and 3rd parties were contributing \$513, the net result of going to 2:1 funding combined with the increased costs of the insulation would see 3rd party costs increase by \$620, higher than the total amount contributed by EECA. In a nutshell, these cost increases are just impossible to manage unless government is prepared to bridge the difference in cost.

EECA must address this issue with urgency. We would note that it is not just an issue for those with EWHG contracts. CEA installs underfloor insulation under the EnergyWise Funding loans scheme, the EECA supported landlords project, and into the non-subsidised market. CEA will be required to use the new product on all EECA supported work from 1 July 2008. We would also like to make the switch entirely and use the new product in all situations. But we have real concerns that customers will resist paying the price for the new product; we will also potentially be prey to other suppliers who are happy to continue installing foil at a fraction of the cost. With the commercial underfloor

¹⁰ We have made the comparison on the basis of a Strategic Partnership arrangement rather than a tender. The reasons for this are that EECA made clear in the EWHG Review and new tender documentation that tenders are now for start-up projects, with Strategic Partnerships for ongoing retrofit activities.

market being such a key part of CEA's business model¹¹ we have major concerns for the 'cascading effect', firstly on our short term financial health, and then on our longer term financial viability.

The level of these costs also raises issues about cost-effectiveness. We would like to see EECA's analysis of cost-effectiveness for this product. Our own cursory assessment suggests that for a 100m² house in Christchurch with an average heating regime, the cost-effectiveness would be marginal in some houses in which it would be installed¹². In a place such as Auckland, where energy savings benefits are approximately 45% of those in Christchurch, it is hard to see this product, at this price, breaking even for many homes. If EECA cannot show clear cost-effectiveness for this product (at this price), then the EWHG partners will be unable to make the case to customers that this is a worthwhile investment.

The imperative to find a better underfloor product should not be a reason for EECA to abandon process and push unsupportable costs on to 3rd parties and co-funders. If the new product can be justified, EECA must show much greater willingness to provide realistic funding to cover the far greater expense involved.

6. All change from 1 July 2008

While the EWHG Review process, and general discussion with EECA staff over previous months, clearly signalled the intention to change we did expect there to be a reasonable transition time allowed for the necessary adjustment to occur. We certainly did not expect the changes to be brought in with such abruptness. In addition to the new product specifications required for underfloors, the EWHG 2008/09 RPF indicated a virtual instantaneous transition to SPs for current tender-holders. The tender was limited to \$1M total (less than half the amount available compared with the previous round), individual projects were restricted to less than \$0.1M in size, and the focus was on new start-ups. In

¹¹ This provides a key part of the revenue necessary to provide the charitable energy projects CEA undertakes.

¹² In some circumstances – bare suspended floors and a home maintaining a high degree of heating – this level of cost, and quality of product, would be well justified. In other circumstances – carpeted floors, fully enclosed foundations, a partial heating regime, and heating costs less than 10c/kWh (e.g. heat pumps, wood burners) – it is difficult seeing \$17/m² being cost effective.

these circumstances CEA decided we were unlikely to gain further funding via this route and so did not put in a tender. We also did not have co-funders prepared to support such a large increase in insulation costs.

The abruptness of change, and lack of a realistic transition period, shows scant regard by EECA for the realities of running energy retrofit projects in the community.

7. Where should funding responsibility lie?

This is the most fundamental question that should have been asked in the EWHG Review. EWHG exists to assist low income households, and those where there are health issues. It is essentially a social and health-based intervention. We are not aware of any comparable situation where government expects health and social outcomes to be met primarily by such extraordinarily high levels of local co-funding/3rd party funding, but this is essentially the funding ‘principle’ of EWHG.

Is there a justification for such high co-funding requirements? High local co-funding can only be justified if local jurisdictions are consistently better placed than central government sources to provide this. What we have found over the years is that some areas (and individual jurisdictions) can provide high levels of co-funding, but many can't. The picture is extremely patchy. Some areas of the country have energy trusts that can be reliable sources of co-funding, but most areas don't. Some areas have local authorities that are prepared to co-fund, but apart from those councils with clean air responsibilities, low income residential energy efficiency is not considered a core responsibility. Some areas have health authorities that are able to fund some energy efficiency programmes, but with so much pressure on health expenditure, coverage is very mixed¹³.

¹³ We would note that co-funding from health budgets is essentially an indirect form of central government funding. We think that health funding is a vital part of the funding mix, but should be recognised as central government funding, and hence be available on an equitable basis. One of the major difficulties at present is the variable ability of DHBs and other health providers around the country to provide funding for low income energy retrofitting. This adds hugely to the inequitable access to EWHG funding around the country, and the ability (or otherwise) to form funding alliances such as SPs.

Even within discrete areas of the country high co-funding can apply to some households, but not to others. Christchurch provides this exact example, where low income houses with existing solid fuel heaters can get 100% assistance for insulation and heating via Environment Canterbury's Clean Heat Scheme (paid for by central government and local ratepayers), but low income houses without solid fuel heating are ineligible.

While favourable circumstances and generous local co-funding have been found in some areas, these conditions do not exist equally across the country. Government appear to be using the specific examples of successful high local co-funding to generalise this across the country. It is fundamentally flawed thinking. It also has failed to account for the significantly increased costs being incurred through new insulation requirements, and the resistance some co-funders are now showing to bearing the main responsibility for meeting these costs.

We would also draw the comparison between EWHG and the comparable programme to address fuel poverty in the UK, Warm Front. Warm Front is entirely funded by central government, with qualifying households receiving grants up to £2,500 for insulation and heating¹⁴. Supplementary funding is provided through energy supplier commitments, and local authority grants. While this scheme is not without its problems, the key point is that the UK government has accepted the core responsibility to provide full assistance, and has made access to the scheme dependent on household need (i.e. those households in fuel poverty). Compare this to the essentially inequitable system here where project availability (and hence access) is largely determined by the availability of co-funding.

EWHG's insistence on a high level of local/3rd party funding is considered to be unjustified on the basis of the social and health focus of the programme. It is a major barrier to establishing and sustaining projects, is responsible for many of the discriminatory rules that the EWHG programme now contains, and creates unequal access to assistance around the country.

¹⁴ This applies to England; different arrangements are provided in Wales, Scotland and Northern Ireland.

8. Community-based non-profits in the EWHG world

CEA's current assistance rate from EWHG at 46-48% is possibly one of the higher rates of subsidy received by organisations (the average for tenders is stated in the Review as about 38%)¹⁵. But with CEA's turnover expected to be about \$1.9m for the current year, the \$0.53M from EECA actually represents less than 30% of turnover. The main reason is that a significant amount of CEA's turnover is spent on energy activities that do not attract EECA funding, even although they are targeted to low income, needy households. These activities include the curtain bank, additional funding for our 'flagship projects' (Elderly Health, Warm Babies) to enable necessary improvements such as heating appliances, education and outreach activities, and monitoring and research. We do these activities because we consider them to be necessary to meet identifiable needs in the community. With CEA having been involved in this area since our first project in 1993, we think we are in a good position to judge what is needed and how best to provide this (regardless of what EECA deem to be a fundable activity).

By not conforming to the standard EWHG prescription, and in getting no recognition for the range of other energy-related benefits that are provided, CEA (and other non-profits as well) will be decidedly worse off under the new EWHG funding rules. Indeed, we believe the continued existence of these programmes is now endangered by the new EWHG funding regime. If all our co-funding has to be used for core EWHG insulation projects, and if margins have to be reduced to accommodate the increased costs, we effectively lose the ability to provide for our charitable purpose. If this is the case, then in the end government will be the loser, because the health and social costs that are avoided by our specialist programmes will come back to be borne by the health and social welfare system.

The EWHG funding regime discriminates against community-based non-profits by attaching no value to the range of other energy benefits provided, and is endangering the existence of these programmes.

¹⁵ EECA, 2007a, p14 – stated as a ratio of \$1.60 3rd party to \$1.00 of government funding.

9. How does EWHG relate to the strategic goals set out in the NZEECS (2007)?

The EWHG Review was undertaken at the time the NZ Energy Efficiency and Conservation Strategy (2007) (NZEECS) was finalised. The Government's stated EnergyWise Homes objective in the NZEECS is *"warm, dry healthy homes, improved air quality and reduced energy costs"* (p17). It further goes on to state that houses should be *"warm, dry, healthy places to live in, with affordable energy costs"* for *"all Kiwi families"* (p20).

However, this is not referred to in the EWHG Review. We find this omission perplexing because in our view this is the core statement of "outcomes" that should be driving intervention programmes such as EWHG. The EWHG Review states that *"The benefits of EWHGs range from considerable health gains to reduced energy costs, improved energy security and economic resilience, increased productivity and employment, and reduced environmental and health impacts (including reduced carbon dioxide and particulate emissions)"*. In reading this one might be led to believe EWHGs are delivering on the government's outcomes, but in CEA's experience this is simply not the case. As discussed earlier in this submission, many houses can still be cold, damp and with unaffordable energy cost after receipt of an EWHG package because 1) there is little difference in the package offered between say the upper North Island and the South Island, yet heating needs in the South Island (and in some places in the North Island as well) are typically three-four times higher, 2) some of the coldest, dampest houses are not eligible for heating assistance, and 3) the cost savings benefits of insulation from a typical EWHG package have been entirely eroded through electricity and gas price increases over the last 5 years¹⁶.

If EWHG was being true to the stated outcomes in the NZEECS, then there should be some clearly defined 'achievement standards' for houses which EWHG actions were contributing to in a purposeful way. But the linkages are entirely absent.

¹⁶ If heating represents around 35% of average household energy expenditure, and the basic insulation package gives ~40% (theoretical) saving, then that gives about 14% saving in the total energy bill assuming all the benefit is taken as energy savings (which for a low income house is virtually never the case). Real electricity prices for households have risen about 25% in the last 5 years.

The EWHG Review makes no links to the desired outcomes stated in the NZEECS. In its current form EWHG is deficient in many ways as a means to achieve those outcomes.

Conclusions

Three inescapable conclusions have come out of this analysis:

- **The size of the cake is far too small:** the current level of EWHG funding from government is totally inadequate for the job in hand. It is creating unreasonable asks for co-funding (often expecting parties with no responsibility for social/health funding to contribute), and there are clear indications that this funding model has reached its practical limits.
- **The way the cake is being cut is discriminatory, doesn't properly target need, and lacks core funding principles:** As a result of the very small level of funding available from government, we have seen progressively over the years a desire by government to fund EWHG from increased levels of co-funding. This has resulted in increased ad-hocism in the funding allocations, as government funding is increasingly pushed towards areas where co-funding is highest, rather than focussing on meeting essential needs, which should be the underpinning principle of EWHG. Indeed, EWHG seems to lack any form of funding principle (except a desire to push as many costs as possible to co-funders).
- **The EWHG Review, and the immediate application of some recommendations, has seriously exacerbated difficulties for EWHG partners:** EECA needs to appreciate the seriousness of the situation that it has created for many of its EWHG partners. Sadly, the process to review EWHG, which started out with much promise, has in our view, been severely botched. EECA has not thought through the logical consequences of putting some of their recommendations into practice, particularly the impossibly short timeframe combined with the lack of compensating funding. Processes of consultation with EWHG partners were abandoned at crucial times, and CEA and other EWHG partners are now having to deal with the consequences.

We believe that immediate intervention is required if hugely detrimental outcomes are to be avoided. EECN has prepared a separate submission outlining the prospects for its members over the coming few months, and the outcomes are very serious for the future viability of some of the trusts (as well of course for the achievement of EWHG outcomes which is targeting 12,000 house retrofits per year). For CEA, we currently have guaranteed funding for 196 EWHG retrofits (in our own projects) in 2008/09 compared to over 775 achieved in the current financial year. This represents less than 3 months of forward work. The transition required by CEA to accommodate the move to SPs and higher insulation costs will require CEA to increase its 3rd party co-funding by over \$500,000pa. This is just to maintain the same level of activity as being undertaken at present, and doesn't cover the additional costs for assisting with heating which CEA desperately wants to do. We are also facing huge uncertainty over the future of our non-subsidised underfloor market from 1 July. Our situation may be rather more favourable than some of our fellow trusts¹⁷, but this is no comfort whatsoever.

Finally, we must comment on process. So much of this could have been avoided if respectful processes of consultation had been followed, and the principles of partnership adhered to. Bizarrely, we had been lead to believe throughout the process that CEA and other EECN trusts would be pleased with the outcome – that EECA's unwillingness to discuss draft recommendations with us, or to further engage, was not something we should be concerned with. This submission is headed with the question of *"how can EECA's so-called "improvements" produce such potentially disastrous outcomes?"*....how can the assurance that something would be good turn out so bad? Our conclusion is that EECA fundamentally does not understand what is required by the organisations that deliver its EWHG projects - the level of funding, complexity, skills required, and ultimately the financial fragility of many of these organisations. And, sadly, it does not respect the experience and views offered by community-based energy efficiency providers.

¹⁷ This is because we have built up a degree of buffering reserve after almost 15 years of providing these services, we have benefited from long-term institutional support from local lines company Orion, and (because of a random aligning of the stars) in the next few months we may be in the best position to form a SP with health authorities that we have ever been in.

Recommendations

1. Government needs to provide an immediate injection of funding to compensate for greatly increased insulation costs required from 1 July for the EnergyWise programmes.
2. The funding basis of EWHG needs to be completely overhauled. CEA and its EECN partners recommend that a minimum of 65% of funding is provided by central government sources. This could be met by combinations of EECA funding plus local health board/PHO funding, or MSD funding, or EECA funding alone (if local health monies were not available) for example. Whatever the combinations, we view this as a minimum requirement necessary to ensure sustainability of retrofitting, and ensuring equity of access around the country.
3. Provide a funding level playing field - abolish discriminatory funding rules which favour large and wealthier areas over those with less available resources.
4. Amend the rules that currently restrict heating assistance only to those with solid fuel appliances in air pollution zones. The criteria urgently need to be broadened to allow the coldest houses and those with internal air pollution concerns (i.e. generally heated by unflued gas heaters and/or portable electric heaters) to be assisted without delay. Heating should be included under the core EWHG funding programme.
5. Develop pragmatic achievement standards so that as a result of the retrofit package there is some reasonable assurance that the intervention will enable each house to be affordably heated to achieve a warm and healthy indoor environment.
6. Points 2-5 above require a significant independent, review process, but one that should be embarked upon without delay. It must involve the meaningful input of EWHG partners in the design of strategy, policy and implementation.