

Mr E Davey MP
Secretary of State for Energy and Climate Change
3 Whitehall Place
London
SW1A 2AW

3 February 2012

Dear Mr Davey

I would like to offer, on behalf of Knauf Insulation, congratulations on your recent appointment as Secretary of State for Energy and Climate Change.

As you may already know, Knauf Insulation (KI) is the UK's leading insulation manufacturer. We are active in more than 35 countries, with 30 manufacturing plants and over 5,000 employees across the globe. Within the UK, KI operates 4 factories producing insulation products for a variety of applications including loft, cavity wall, internal solid wall and external solid wall insulation.

Knauf Insulation is currently engaged with DECC on a range of current issues, most importantly for us at this time, the Green Deal and Energy Company Obligation consultation that closed in January 2012.

Our concerns with the Green Deal and Energy Company Obligation

We are supportive of a move to refocus the existing subsidies available for the installation of cavity wall and loft insulation toward solid wall insulation as the number of lofts and cavities reduces. However, the Government's preferred approach, set out in the consultation document and associated Impact Assessment, makes no allowance for any period of transition to the solid wall market. Instead, the impact assessment shows a significant and almost immediate drop in installation rates for the traditional loft and cavity wall measures where proven delivery capacity exists while requiring installers to also deliver a rapid ramp up of solid wall insulation with unproven householder demand and insufficient installer capacity.

Significant numbers of loft and cavities are yet to be insulated. The proposed policy approach will result in the loss of existing installer and manufacturing capacity – capacity that is currently able to deliver Government's carbon plan commitment to fill all lofts and cavities by 2020.

KI commissioned the independent economic research consultancy Europe Economics to analyse the Government's preferred Option 2 in the impact assessment and model some alternative approaches.

Broadly, the concerns that instigated the report were:

- **Large numbers of LI and CWI installers will need to retrain** as the number of LI and CWI installations decrease and the number of SW installations increase. For the Government's anticipated demand to be realised, it is likely that price rises will occur due to a shortage of suppliers and /or inferior quality work from installers who were not fully trained
- Energy lost through not insulating lofts and cavities will see **energy bills continue to increase**. On average, insulating an empty loft will save up to £175 pa and insulating cavities will save up to £135 pa offering rapid payback on initial investment
- The Government will find it **impossible to reach its target of reducing greenhouse gas emissions by 80% by 2050** (compared to 1990s levels)

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- **Manufacturers will have to reorganise their businesses** in a short timeframe to provide solid wall insulation for a predicted take-up of 150,000 in 2013 alone – over five times current installation capacity.

By contrast, the Europe Economics research shows that the Government could meet environmental and fuel efficiency objectives much more cost effectively if they adopted a slightly different approach, incorporating a more realistic solid wall insulation target and a sensible transition period away from more traditional measures like loft and cavity wall insulation. In particular, our preferred, 'ECO Neutral' scenario presented in the report would see a measured transition to the new scheme within the existing cost envelope – no extra funding would be required from either Government or consumers.

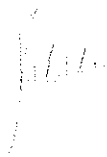
Key features would be:

- Up to 1.5 million more homes benefiting from additional insulation over the period to 2022, with 2.5 million cavity wall installations achieved by 2017, over 4 million loft installations and 1.17 million solid wall installations by 2022
- A scenario that is more cost effective than the Government's current proposed option, providing over £5 billion of net benefits relative to the Government's proposed scenario model
- 14 million tonnes of additional CO₂ savings, with the Government targets for CO₂ reductions met in 2019, a year ahead of DECC's proposals.
- A smoother transition in employment in the installation industry, with adequate time for retraining of loft and cavity wall insulation installers.

I enclose a copy of the report, which we have already shared with your officials. Given our very real concerns around the direction of Government policy in this area, I would be very grateful if you were able to meet me to discuss the current proposal, and the potential alternatives, in more detail.

My team will be in contact with you shortly to see if this is possible, but in the interim, if you have any questions, I am available via john.sinfield@knaufinsulation.com or on 01744 766680.

Yours sincerely



JOHN SINFIELD
Managing Director