

May 2014



Warm Up Christchurch
Green Party policy paper

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Summary

Insulation and clean heating are the most powerful ways to reduce the cold and damp that bedevil so many New Zealand houses and leave thousands of people, especially the elderly and the very young, with major health problems. These measures are also one of the most effective uses of government money, returning around \$4 in benefits for every \$1 spent and reducing asthma, circulatory diseases, and respiratory illnesses.¹

In Christchurch this matters more than anywhere, where widespread rebuilding of houses is still going on as residents approach their fourth post-earthquake winter. Sadly, support for insulation has been cut back, and a unique chance to improve our housing stock is being squandered.²

The Green Party's Warm Up Christchurch package addresses both the national and the local opportunity. It restores the ambition of the original, highly successful Warm Up New Zealand scheme to extend the benefits of insulation and clean heating across the whole country.

The package also recognises the unique challenges facing Christchurch residents. By providing extra support for those undergoing major repairs, and special grants for extra levels of insulation, it turns the crisis of the Christchurch earthquakes into an opportunity to create houses that are warmer, healthier and more environmentally friendly than ever before.

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\$300 million (\$100 million a year for three years) to restore the highly successful Warm Up New Zealand insulation scheme to its original ambition of covering all poorly insulated homes with \$35 million ring-fenced for Canterbury.

2

A special fund of \$25 million over two years to help Christchurch residents insulate their house if they are still doing major repairs – turning crisis into opportunity, and allowing residents to rebuild their homes better than ever before.

3

\$2 million over two years to support a Christchurch Building Back Smarter scheme that will help residents navigate the complexities of post-earthquake rebuilding.



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The situation

From 2009 to 2013, the Warm Up New Zealand: Heat Smart scheme – implemented under an agreement between the Green Party and National – insulated and installed clean heating in 235,000 homes out of an estimated 900,000 across the country that were lacking proper insulation.³

The scheme subsidised one-third of the cost of insulation for general households, and 60 percent of the cost for low income households. It was a huge success, reducing cold and dampness in houses, boosting health, and generating \$1.58 billion in benefits for \$348 million of spending overall.⁴

But in Budget 2013, the Government scaled down the programme, now renamed Healthy Homes, so that it was available only to community service card holders at risk of serious illness, and would target just 46,000 further houses.⁵

The scaling back of the programme is a huge missed opportunity for the whole country and for the further 600,000 households that would benefit from insulation and clean heating. It destabilises the budding energy efficiency industry, which government should be promoting as a key part of our transition to a clean, green economy.

But it is especially wasteful in Christchurch, where thousands of residents are still rebuilding their homes following the devastating earthquakes of 2010 and 2011. The EQC has 19,000 houses for which it is responsible still undergoing repairs as at May 2014, of which many are likely to be

major repairs.⁶ For the houses where private insurers are responsible, the Insurance Council has indicated that as many as 13,000 houses are still undergoing repair.⁷

While the number of houses left to repair will continue to decrease, it is estimated that by September this year, there will still be at least 10,000 houses that could benefit from significant insulation and heating work.⁸

Families of these Christchurch homes should be supported to install ceiling and underfloor insulation and clean heating devices such as heat pumps. But their situation also offers the opportunity to do even more when it comes to making homes warmer and drier.

Wall insulation makes a significant difference to the effectiveness of a home's heat retention, as heat loss through a home's walls lessens the effectiveness of standard ceiling and underfloor insulation.⁹ It is not at present subsidised by government. In normal circumstances, it is highly expensive, as it involves substantial work in the walls or complete replacement of the wall lining.

However, if a home is already undergoing significant renovation work that involves removing the wall linings, as is the case with many of the most severely damaged Christchurch houses, installing this insulation becomes cost-effective. It is estimated that 90 percent of Christchurch houses have inadequate wall insulation, so the vast majority of homeowners would benefit from addressing this issue.¹⁰

Given the many obstacles that Christchurch residents face, if they are to make these improvements to their homes, they will need more support from central government, both in cash grants and in advice on what to do.

The solution

Warm Up New Zealand

The Green Party will revitalise the hugely successful Warm Up New Zealand scheme, ensuring that all homeowners in Christchurch – and the rest of the country – can get generous subsidies for ceiling and underfloor insulation, and for clean heating devices.

The Green Party will restore the ambitious goal of the original Warm Up scheme of insulating all poorly insulated houses and ensuring that no New Zealander lives with avoidable cold and damp in their house. As a first step towards that goal, it will insulate another 200,000 homes over the next three years, with the same subsidies as the original scheme.

The original Warm Up scheme covered 235,000 homes at a cost to the government of \$348 million, or \$1,480 per household. Covering a further 200,000 homes will therefore cost around \$296 million, or \$100 million a year spread over three years.¹¹



Warm Up Christchurch

Beyond the standard insulation and heating support provided by the Warm Up scheme, the Christchurch rebuild offers a specific opportunity to help the city's residents make their homes warmer and healthier.

For the 10,000 Christchurch homes still undergoing major renovation work, the Green Party will provide an extra subsidy on top of standard Warm Up grants, covering half the cost of wall insulation. Public finances permitting, the subsidy could eventually be expanded to cover the rest of the country.

Wall insulation in Christchurch was estimated in 2011 to cost up to \$4,000 per home.¹² Since then, construction inflation in Christchurch has been around 21 percent, giving a cost of around \$4,800 per home today.¹³ Pilot insulation projects in Christchurch have also produced estimates for costs ranging up to \$4,000 for insulating a two-storey home. If the government subsidises half the cost of insulation for 10,000 homes, the cost will be just under \$25 million.

To help residents fund the remaining half of the cost, the Green Party will work with Environment Canterbury on restoring the targeted rates scheme, which allowed homeowners to put the cost of insulation onto their future rates bill rather than having to pay it upfront. Schemes of this type have continued across large parts of the country.¹⁴ Options to partner with other local organisations will also be explored.

The Green Party will also address other issues that can prevent homeowners from installing insulation, such as concerns that this work constitutes 'betterment' and will complicate insurance claims. Although many of these issues appear to be resolved, the Green Party will continue to monitor them carefully.¹⁵



*Looking out over Ferrymead
from the Port Hills Summit Rd, Christchurch.*

Building Back Smarter

The scale of rebuilding still happening in Christchurch represents a once in a generation opportunity to improve the quality of our housing stock – and with it the health of our children and our communities. However, homeowners wanting to undertake this kind of transformational work face major barriers – not just the cost of the work but also the complexity of the different technologies, the processes for installing them and the various funding streams available.

To address this, the Beacon Pathway has developed plans for a Building Back Smarter service, through work funded by the Ministry of Business, Innovation and Employment, Christchurch City Council, the Energy Efficiency and Conservation Authority, and others.¹⁶ The service would give homeowners comprehensive and wrap-around information about which building options to choose (wall insulation, floor and ceiling insulation, heating devices, ventilation, and so on), as well as advice on planning and prioritising measures, finding contractors, and accessing subsidies.

The Green Party will ensure this service gets off the ground by funding its running costs for an initial two years. The Green Party will also consider other measures to make life easier for homeowners, including exploring options to allow homeowners to repay the costs of insulating and heating over time.

The estimated running costs of the Building Back Smarter advisory service will be approximately \$2 million over two years.

The benefits

Warm Up New Zealand

Independent analysis of the Warm Up New Zealand scheme showed insulation delivers major health benefits – especially for children, older people and people with illnesses – by reducing the cold, damp and mould that lead to many illnesses. By cutting hospital admissions for circulatory conditions, respiratory illnesses and asthma, insulation and clean heating generated benefits of around \$560 for the average household.¹⁷

Of that, around \$340 came in savings to government through reduced health costs – a figure that was higher still for low income households. In Christchurch in particular, restoring the scheme will provide a significant boost for homeowners struggling with the many costs and burdens imposed by the earthquakes. Restoring the scheme to its original ambition will also allow the government to continue to spread these benefits right across the country.

Signalling the government's continued commitment to this scheme will also be a boost for firms providing insulation and clean heating products. This still nascent industry is being severely affected by the uncertainty around government support for insulation. Restoring funding for the scheme will allow the industry to plan for the future with some certainty and continue to grow employment.

Warm Up Christchurch

Approximately 20 percent of all heat loss from a house comes through its walls. This means wall insulation provides a major opportunity to improve a house's warmth and dryness, and to address both environmental and health concerns at once.¹⁸

Because wall insulation so dramatically improves a house's heat retention, homeowners can keep their houses at the minimum temperatures recommended by the World Health Organisation for good health (16°C in bedrooms and 18°C in living spaces) – while reducing the energy consumed by heating by up to one-third.

Even from a purely economic point of view, wall insulation has such a high benefit-to-cost ratio that insulating bedroom walls, for instance, pays for itself within two years.

Building Back Smarter

Christchurch homeowners seeking to improve the warmth and quality of their houses face a wide range of challenges: dealing with multiple agencies and funding streams, understanding the different technologies available, and integrating improvement measures into their agreed schedule of works with their insurance company.

Funding a Building Back Smarter advice service will hugely ease the burden on those households. It will provide them with a one-stop-shop service to deal with all the issues around clean heating and insulation, and significantly increase the likelihood of their implementing those measures.

Funding the service will also recognise the fact that the Christchurch earthquakes, the ongoing aftershocks, and the subsequent repeated flooding have imposed significant stress on residents, making it more important than ever that government support is easy to access.

Appendix

Government funding through the original Warm Up New Zealand: Heat Smart programme

	<i>Insulation</i>	<i>Clean heating</i>
All eligible houses built before 2000	33% of cost <\$1,300	\$500
Homeowners with Community Services Card	60% of the total cost	\$1,200
Landlords with tenants who hold Community Services Cards	60% of the total cost	\$500

Sources

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2. The Government has decided to provide future insulation subsidies only to a limited number of low income households. See the 'Situation' section for more details.
3. <http://www.eeca.govt.nz/eeca-programmes-and-funding/programmes/homes/insulation-programme>
4. Motu, 'Cost Benefit Analysis of the Warm Up New Zealand: Heat Smart Programme', October 2011, available at: http://www.motu.org.nz/files/docs/NZIF_CBA_report_Final.pdf
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8. Beacon group estimate, May 2014
9. http://www.beaconpathway.co.nz/images/uploads/Canterbury_Earthquake_-_Retrofitting_Wall_Insulation_Fact_Bank_v5.pdf
10. Beacon Pathway, 'Value Case for Building Back Smarter', July 2013, p.5
11. These calculations assume that the proportions of general and low income households in the extended scheme would be the same as in the original. They also assume that clean heating devices will be installed only in some households, as in the original scheme.
12. Christchurch City Council and others, 'Your Chance to Build Back Smarter', available at: <http://resources.ccc.govt.nz/files/HouseholdRepairGuide.pdf> (accessed 15 May 2014)
13. Ministry of Business, Innovation and Employment, 'New Zealand Housing Quarterly', February 2014
14. Among the councils to offer this service are: Auckland Council, Dunedin City Council, Greater Wellington Regional Council, Hawkes Bay Regional Council, Marlborough District Council, New Plymouth District Council, South Taranaki District Council, Tasman District Council
15. <http://www.eqc.govt.nz/canterbury-earthquakes/home-repairs/insulation>
16. <http://beaconpathway.co.nz/index.php>
17. Motu, 'Cost Benefit Analysis of the Warm Up New Zealand: Heat Smart Programme', October 2011, available at: http://www.motu.org.nz/files/docs/NZIF_CBA_report_Final.pdf
18. http://www.beaconpathway.co.nz/existing-homes/article/wall_insulation

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