

HOUSEHOLDERS' VIEWS ON THE BEST ENERGY EFFICIENCY RETROFIT INCENTIVE MECHANISMS

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Householders' views on the best energy efficiency retrofit incentive mechanisms¹

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OVERVIEW

The Sustainable Energy Authority of Ireland (SEAI) administers the Better Energy Homes (BEH) grant scheme for energy efficiency retrofits of residential properties. Grants are available for a variety of energy efficiency measures (e.g. insulation, heating controls, etc.) with the grant aid covering approximately 35% of the cost of eligible measures. The grant scheme is administered as a 'cash back' payment once retrofit work is verified as completed to an approved standard. This research investigates whether other types of subsidy support (e.g. upfront discounts, tax credits, etc.) might be more attractive to households and encourage greater investment in residential energy efficiency.

The research finds that preferences for retrofit subsidy schemes are complex and nuanced but several points are clear. First, households strongly prefer cash payment subsidies (i.e. up-front discount or cash back post works) versus other indirect methods of financial support (e.g. tax credits), roughly by a 70:30 ratio. Second, preferences on type of subsidy scheme differ depending on whether households have previously availed of an SEAI grant. Households with prior experience of SEAI grants are more likely to have preferences in favour of ex-post cash payments compared to upfront discounts, for example. This suggests that households engaging with the SEAI grant scheme approve of the current format in which the grant is paid, i.e. completing the retrofit works before claiming the grant.

Among households' socio-demographic characteristics, age appears to be particularly important in distinguishing preferences across subsidy schemes with older age cohorts more likely to differ in their preferences for the type of subsidy scheme (e.g. up-front discount, cash back post works, tax credit, etc.) compared to younger respondents. For instance, older cohorts are significantly less likely to

¹ This Bulletin summarises the findings from: Collins, M., Dempsey, S., and Curtis, J., "Householder preferences for the design of an energy efficiency retrofit subsidy in Ireland", *Economic and Social Review*, 49(2) 145–172: <https://www.esri.ie/article/view/916>

prefer incentive structures involving tax credits or making repayments via employer payroll relative to the younger cohorts.

BACKGROUND

To explore preferences for certain types of subsidy format we analyse survey data collected from households across Ireland. The surveys were undertaken by a survey company on behalf of SEAI on two occasions in December 2014 and December 2016. The research uses statistical methods to estimate how factors such as building attributes and household characteristics affects preferences for the format in which subsidy supports are paid.

POLICY IMPLICATIONS

There is a strong preference across households for direct cash payments either pre- or post- retrofit works versus indirect subsidy schemes via the tax system or payroll. The majority of households prefer schemes that are easier to understand or less administratively burdensome. Furthermore, households that have previously engaged with the SEAI grant scheme favour the current format of the grant, which is a post-works cash payment. One conclusion that follows is that SEAI's grant scheme should continue in its current format.

The fact that households that have already availed a SEAI grant have a higher preference for the ex-post cash payment than those that have not accessed the grant also raises another issue. The difference in preferences could be associated with household budget or financial constraints. To avail of an SEAI grant households must be able to afford and finance the investment in energy efficiency retrofits. SEAI's 'Better Energy Warmer Homes' scheme already provides support to vulnerable people in, or at risk of, energy poverty to improve the energy efficiency of their homes. A policy question that arises is what proportion of households fall in the gap between the 'Better Energy Warmer Homes' and the 'Better Energy Homes' schemes, that is, households that are not at risk of energy poverty but have insufficient resources to finance investments in energy efficiency retrofits?

The research also suggests that the current grant format is not ideal for all households. The finding with respect to age with older versus younger age cohorts having differing preferences on their preferred type of subsidy scheme (e.g. up-front discount, cash back post works, tax credit, etc.) suggests that the grant scheme or incentives to encourage different age cohorts to invest in energy efficiency may need to be tailored to their particular circumstances.

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