

[REDACTED]

22 April 2025

Dear [REDACTED]

Re: Official Information Act Request:

Thank you for your email on 30 March in which you requested information under the Official Information Act 1982. You requested:

“Any and all briefings provided to Ministers in the last 5 years on expanding the Warmer Kiwi Homes program.”

In response to your request, please find attached all Ministerial briefings within scope.

Some information is being withheld pursuant to the following sections of the Act:

- 9(2)(a) - to protect the privacy of natural persons, including that of deceased natural persons.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Please note that it is our policy to proactively release our responses to official information requests where possible. Our response to your request will be published shortly at <https://www.eeca.govt.nz/about/news-and-corporate/official-information/> with your personal information removed.

Yours sincerely



Murray Bell
Group Manager, Policy and Regulation

To	Hon Dr Megan Woods MINISTER OF ENERGY AND RESOURCES		
Title of briefing	Opportunities to expand Warmer Kiwi Homes to support COVID-19 recovery		
Date	1/05/2020		
EECA reference number	EECA 2020 BRF 041	Response required by:	NA
EECA priority	Non-urgent		
Consultation	MBIE (Energy Markets Policy), MHUD		

EECA contacts

Position	Name	Mobile Number	Work Number	1 st Contact
Chief Executive	Andrew Caseley	9(2)(a)	04 470 2201	✓
Responsible Manager	Jesse Corlett	9(2)(a)	04 470 2213	
Principal author	Daniel Barber		04 495 8272	

Purpose

1. To provide advice on options to expand Warmer Kiwi Homes to stimulate economic activity, preserve and create regional employment, and support vulnerable households. This is to help inform your consideration of how EECA's work programme can contribute to the COVID-19 response and recovery package.

Key messages

- We expect the financial impacts of COVID-19 to reduce the demand for insulation and heating under the Warmer Kiwi Homes programme.
- EECA's initial focus is on maintaining demand for the programme as well as minimising the impact of COVID-19 on Warmer Kiwi Homes service providers, to protect (as much as possible) the jobs and capacity currently in the programme. Maintaining demand under the programme is the key and so the EECA Board recommends expanding Warmer Kiwi Homes to include households in deprivation index area 7 (currently 8-10 are eligible).
- Beyond this, there are opportunities to expand the Warmer Kiwi Homes programme to increase support for vulnerable families and to stimulate economic activity.
- If Warmer Kiwi Homes remains in its current substantive form (i.e. a heating and insulation programme), the highest-impact way of expanding demand under the programme is to increase grants to cover 90% of retrofit costs. This is consistent with the bid submitted for Budget 2020. While this would have significant health benefits, the impact on employment growth may be relatively limited.
- A much more comprehensive change to the programme would be required to significantly stimulate economic activity. EECA could investigate the design of a 'Better Kiwi Homes' programme, which would be a large-scale targeted residential building quality improvement programme. This initiative would improve the health outcomes of householders through thermal and energy performance improvements of New Zealand's homes through more extensive retrofits, including repairing roofs, weather tight cladding, waterproof windows, effective plumbing, safe electrics, insulation and heating. This would resemble a scaled-up version of the Ratana housing project EECA managed from 2011 to 2013. It could be delivered in parallel to the existing national Warmer Kiwi Homes programme, or supersede it.

Recommended actions

Immediate action to mitigate the expected drop in Warmer Kiwi Homes activity

- Agree** that EECA expand the eligibility criteria for Warmer Kiwi Homes to include deprivation index area 7, with the option to include index area 6, if demand does not increase to pre-lockdown levels within a few months of the programme restarting

Agree / Disagree

Opportunities to expand the existing Warmer Kiwi Homes programme

- Note** that EECA still recommends making Warmer Kiwi Homes more financially attractive as proposed in our Budget 2020 bid (i.e. increasing grant funding to 90%) and this has been included in the initiatives being considered for the COVID-19 Response and Recovery Fund
- Note** that stimulating demand for the existing Warmer Kiwi Homes programme by increasing grant funding will have significant benefit for supporting vulnerable households

and utilising New Zealand manufactured goods, but may have relatively limited impact on private sector employment growth

- d. **Note** that EECA does not recommend including rental housing within the Warmer Kiwi Homes programme, given the limited impact it would have on employment and the existing Healthy Homes Standards requirements on landlords
- e. **Note** that notwithstanding recommendation (d) above, there may be a case for Government support to landlords given the new challenges they may face in meeting their Healthy Homes Standards obligations due to the economic impact of COVID-19
- f. **Indicate** if you would like EECA to explore programme design options to provide insulation and heating retrofit support to landlords

Yes / No

A more comprehensive change – Better Kiwi Homes retrofit programme

- g. **Agree** to EECA engaging with other government departments to further develop a comprehensive, targeted ‘Better Kiwi Homes’ housing quality improvement programme to improve householder health outcomes by lifting housing thermal and energy performance in high-deprivation communities and areas

Agree / Disagree

- h. **Indicate** whether you would like to discuss the contents of this briefing with officials.

Yes / No

Andrew Caseley
CHIEF EXECUTIVE
01 / 05 / 20

Hon Dr Megan Woods
MINISTER OF ENERGY AND
RESOURCES
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Context

1. The economic impacts of COVID-19 mean that government agencies need to prioritise investments that can:
 - a. quickly stimulate economic activity
 - b. preserve and create employment
 - c. utilise New Zealand manufactured goods and services, and
 - d. support vulnerable people.
2. EECA's Warmer Kiwi Homes programme is one of the government programmes that can contribute to meeting these criteria. The main benefits associated with Warmer Kiwi Homes relate to improving the housing quality (and related health outcomes) of vulnerable households, using New Zealand manufactured goods and services and to a limited extent increased employment and related economic activity.
3. The delivery of Warmer Kiwi Homes insulation and heating retrofits was placed on hold under Alert Level 4, but restarted – subject to appropriate health and safety protocols – when we entered Alert Level 3 on 28 April.

Description of the current Warmer Kiwi Homes programme

4. The current Warmer Kiwi Homes programme runs from 2018/19 to 2021/22 (\$142.5 million over the four years).
5. To be eligible for a Warmer Kiwi Homes grant, the applicant must be an owner-occupier and meet one of the following criteria:
 - a. The owner holds a Community Services Card, or
 - b. The house is in a low-income area, currently defined as 8, 9 or 10 on the deprivation index, and/or
 - c. The owner is referred to Warmer Kiwi Homes by the Ministry of Health's Healthy Homes Initiative.
6. Grants are allocated as follows:
 - a. For insulation, EECA will cover two-thirds of the cost of insulation (with no maximum).
 - b. For heating, EECA will cover two-thirds of the cost up to a maximum grant of \$2,500.
7. EECA and MBIE submitted a bid for Budget 2020 to expand Warmer Kiwi Homes by increasing the Government contribution rate for heating and insulation retrofits from 67% to 90% and extending the programme for a further two years (out to 2023/24). Doing so would stimulate greater demand for the programme by removing residual cost barriers for those households unable to meet the remaining 33% of costs.

Current employment activity associated with Warmer Kiwi Homes

8. The Warmer Kiwi Homes programme offers insulation and heat pump installations nationwide. Wood and pellet burners can be accessed by over 95% of the country's population¹.
9. There are currently over 90 companies contracted to deliver Warmer Kiwi Homes, with a further layer of subcontractors beneath them. Insulation is installed by 13 service providers, employing (across all of their business activities) 1,157 staff, including sales, office staff and installers.
10. There are five New Zealand insulation manufacturers who supply Warmer Kiwi Homes (along with the private market), together employing 165 staff. More than 90% of the insulation installed through Warmer Kiwi Homes is manufactured in New Zealand.
11. EECA's engagement with service providers prior to the COVID-19 lockdown suggested that all existing providers had the capacity and desire to expand and that there will be no problem delivering more heaters or insulation.
12. The insulation industry (both manufacturers and installers) was operating at peak capacity ahead of the 1 July 2019 deadline for insulation in rental properties under the Residential Tenancy Act. At this time there was capacity for about 65,000 insulation installs per year. Since the peak, capacity has reduced to about 40,000 installs per year. This suggests that there is some recently-available capacity in the market that could respond to increased incentives for insulation installations.

Three levers to increase activity under Warmer Kiwi Homes

13. There are three main levers that we can adjust to stimulate demand for the Warmer Kiwi Homes programme:
 - a. **Broadening the definition of 'low-income'** – EECA can broaden the definition of 'low income' to include a wider range of owner-occupied households. This was done previously to include households in deprivation index area 8. With your agreement EECA will expand the eligibility criteria to houses in deprivation index area 7, with the option to expand to deprivation index area 6, to mitigate short-term demand impacts of COVID-19 (see next section).
 - b. **Broadening the scope to include low-income rentals** – EECA could broaden the eligibility criteria to include rentals with low-income tenants, i.e. households in which either the main tenant holds a Community Services Card or the rental house is in a high deprivation index area.
 - c. **Increase the funding contribution level** - EECA's funding contribution could be increased from 67% to a higher share. This would increase the incentive and related affordability for low-income owner-occupiers to access Warmer Kiwi Homes funding,

¹ Under Warmer Kiwi Homes, 25 heat pumps sell for every 1 wood burner.
MINISTERIAL BRIEFING | 1/05/2020

and address cases where even a 67% contribution is insufficient to overcome financial barriers to installation. It would also allow third-party funding to go much further.

This could be designed to provide a higher level of contribution to households in greater need (e.g. those living in higher deprivation index).

We recommend immediately expanding Warmer Kiwi Homes eligibility criteria to mitigate a short-term drop in activity

14. We expect the financial impacts of COVID-19 to reduce the short-term demand for insulation and heating under the Warmer Kiwi Homes programme, particularly from households now unable to contribute 33% of the install cost.
15. Alert Level 4 closed almost all current Warmer Kiwi Homes service provider businesses. Government wage subsidies and bank loans have no doubt helped mitigate the pressure to shed staff in the short term. To further support service providers, EECA has prioritised paying them for retrofits completed before the programme was placed on hold. EECA has also decided to bring forward the payment of incentive payments to service providers from July 2020, where agreed targets have already been achieved.
16. There is an immediate need to reinforce a strong restart of the programme in Alert Level 3 so that current service providers can see a commitment to continue the programme at the same level of installations or higher given the tougher economic conditions.
17. Over the next two years, EECA has approximately \$90 million in grant funding still to invest in insulation and heating. If we maintain the current eligibility criteria for the programme following the lockdown, we expect, due the financial pressure on households, a potential shortfall in homes insulated and heated, and consequential potential underinvestment of the funds currently available over the four year period (2018/19 to 2021/22).
18. To address this, the EECA Board recommends immediately expanding the eligibility criteria to include houses in deprivation index area 7, with the option of including deprivation index area 6 if demand does not increase to pre-lockdown levels within a few months of the programme restarting. Including deprivation index areas 6 and 7 would nearly double the number of potential eligible homeowners available to the programme.
19. Many of the houses in deprivation index area 7 are located around the clusters of higher deprivation (i.e. areas 8, 9 and 10), these are often in urban areas and primarily in the North Island. Some of the large clusters include parts of Auckland, Northland, Bay of Plenty, Gisborne and Manawatu-Wanganui, as well as the West Coast of the South Island. Maps of the distribution of deprivation index areas are included in Appendix 1.
20. Homeowners in deprivation index area 7 (and potentially 6) are more likely to be able to afford the 33% contribution required and the number of installations is thus more likely to recover to pre-lock down levels.
21. This approach requires no additional funding as it is trying to ensure there is sufficient demand to allow us to utilise our existing funding.

22. There is a risk of perceived inequality in extending funding beyond the most deprived areas, particularly potentially expanding to include deprivation index area 6 (which would mean half of the country's households are then eligible). This increases the risk of households receiving grants that would not generally be considered to be 'low income'.
23. This is partially mitigated by the fact that we would only include deprivation level 6 if there is not sufficient demand for our service providers. Third party funding would continue to be directed at those in most need (deprivation index areas 8, 9 and 10, Community Service Card holders and Healthy Homes Initiative referrals).
24. With your agreement, this change would be implemented immediately by informing service providers of the expansion to deprivation index area 7, updating the Warmer Kiwi Homes eligibility tool on our website, and releasing marketing material to inform the public of the change. This is the same process we used when we expanded Warmer Kiwi Homes to include deprivation index area 8.

Increasing the funding contribution level is the best option for significantly expanding Warmer Kiwi Homes in its current form

25. Expanding Warmer Kiwi Homes to include houses in deprivation index area 7, as EECA recommends doing immediately, should help activity return to pre-COVID levels more quickly. However, there is an opportunity to further expand the Warmer Kiwi Homes programme to provide further assistance to vulnerable families and support the businesses that deliver the programme.
26. Our suggested approach for expanding the existing Warmer Kiwi Homes programme is the same as the bid that was submitted for Budget 2020, i.e. to broaden eligibility and increase the government contribution. This would provide households in deprivation index areas 8, 9 and 10, Community Service Card holders and Healthy Homes Initiative referrals with 90%² funding for heating and insulation through to 2023/24. If you agree to expand Warmer Kiwi Homes to deprivation index area 7 (as discussed in the previous section), the programme would provide households in these areas with 67% funding for heating and insulation (with the potential to extend this approach to deprivation index area 6).
27. We recommend that any action taken to significantly expand Warmer Kiwi Homes is in place for sufficient time to provide investment certainty to businesses and employment certainty for staff. A three or four year duration should be appropriate for a programme such as this.
28. While Warmer Kiwi Homes would continue to be a national programme, there is also potential to target towns or suburbs with high numbers of low income households. The aim would be to proactively cover as many eligible houses in the area as possible.

² We recommend not providing 100% funding as this introduces the risk of Warmer Kiwi Homes permanently losing some of its third party funders. Providing 90% makes the existing third party funding go much further.

Estimated costs and employment impacts of expanding Warmer Kiwi Homes

29. To give a sense of scale, we have estimated the costs of expanding Warmer Kiwi Homes as described in paragraph 26. These costs have been calculated using the same assumptions as those in the Warmer Kiwi Homes Expansion bid for Budget 2020³.
30. The detail of the proposal and estimated cost is summarised in the table below.

Eligibility	Owner-occupiers in deprivation index areas 7,8,9,10, CSC holders and Healthy Homes Initiative referrals ⁴
Funding contribution	Deprivation index areas 8, 9, 10, CSC holders and Healthy Homes Initiative referrals – 90% Deprivation index area 7 – 67% (the same as the recommended newly expanded eligibility)
Interventions covered	Insulation and heating
Number of additional retrofits	Additional retrofits – 4,500 per year (3,600 insulation and 900 heating) ⁵ Total retrofits – 22,500 per year
Estimated additional cost per year ⁶	\$28 million on top of existing funding (to provide an additional 4,500 retrofits and increase the government contribution from 67% to 90% for all 22,500 retrofits) Total funding per year – \$73 million (\$56 million for insulation; \$12 million for heating; \$5 million for opex)

31. There is significant uncertainty about the amount of additional private sector employment that is created as a direct result of the Warmer Kiwi Homes programme, with estimates varying widely. Analysis by Motu⁷ of the Warm Up New Zealand programme in 2012 estimated that the additional employment per 10,000 houses (both direct and indirect employment) directly attributable to the programme ranged from 5 to 101 FTE for insulation and from 0.6 to 58 FTE for heating.
32. Despite this, we recommend that it would still be beneficial to progress with the original Warmer Kiwi Homes Expansion budget bid. This would enable some expansion of the insulation and heating installation industry and would provide significant health benefits. The Benefit-to-Cost Ratio of the expansion is estimated to be more than two to one,

³ One change has been we now assume the split in demand between insulation and heating is 80:20, compared to 60:40 in the budget bid.

⁴ If you agree to the recommendation in this briefing to expand to include deprivation index area 7, with the option to expand to include deprivation index area 6 as well.

⁵ This represents a 25% increase in demand due to the increased funding contribution.

⁶ This does not account for the \$45 million already allocated to Warmer Kiwi Homes in both 2020/21 and 2021/22.

⁷ Motu (2012) *Cost Benefit Analysis of the Warm Up New Zealand: Heat Smart Programme*.

primarily due to health benefits. The analysis of the Warm Up New Zealand: Heat Smart programme estimated a Benefit-to-Cost Ratio of almost four to one, although this was more targeted to households with high health needs and was open to all households (not just low income).

33. The Warmer Kiwi Homes Expansion budget bid has been included in the initiatives being considered by Treasury for the COVID-19 Response and Recovery Fund.

Providing support for rental housing

34. On balance, we do not recommend including rental housing within Warmer Kiwi Homes because:
 - a. it is likely to provide limited economic stimulus, and
 - b. the unfairness of providing grants to landlords, given they are legally required to make these retrofits under the Healthy Homes Standards, and given some will have already taken these steps without support.
35. However, the Government may wish to provide support to landlords as some are no doubt struggling financially where they have provided rent relief to tenants as a result of COVID-19). With your agreement, we could explore programme design options for providing insulation and heating retrofits to rental housing.
36. Any support given to landlords would likely be at a much lower level than under the Warmer Kiwi Homes programme (perhaps only a 25% funding contribution). To avoid administrative complexity, managing this kind of initiative would probably use a different programme structure to Warmer Kiwi Homes (which uses approved suppliers and third party funding). It may be more appropriate to use a more self-regulated approach, similar to that of the Government's Wage Subsidy Scheme, accompanied by a strict auditing compliance and auditing programme.

A more significant change to Warmer Kiwi Homes could deliver economic and employment stimulus in response to COVID-19

'Better Kiwi Homes' programme proposal

37. A much larger change to the Warmer Kiwi Homes programme would be required to significantly stimulate economic activity and employment in response to COVID-19.
38. EECA has been considering a large-scale, locally-targeted residential building quality improvement programme (referred to as 'Better Kiwi Homes' for brevity). This initiative would improve the thermal and energy performance of New Zealand's homes through more extensive retrofits, including repairing roofs, weather tight cladding, waterproof windows, effective plumbing, safe electrics, insulation and heating.
39. We envision this as a programme that would target high deprivation towns or suburbs and effectively brings all eligible houses in the area up to a predetermined standard. We

recommend that this programme be targeted at owner-occupied housing, as with Warmer Kiwi Homes.

40. This programme would be highly scalable to match the amount of funding available, however it would become more challenging to manage the bigger the programme gets. For context, there are about 111,000 owner-occupied dwellings in deprivation index areas 8, 9 and 10 that have not received insulation or heating under an EECA-provided programme. There would also be thousands of other households that would be in need of additional retrofit activity as described.
41. EECA could partner with other government agencies to design and implement this programme (potentially including the Ministry of Housing and Urban Development, Ministry of Business, Innovation and Employment, Ministry of Health, Te Puni Kokiri and Kainga Ora). The programme would need a clear lead agency to ensure delivery.

Better Kiwi Homes would be similar to EECA's Ratana housing project that ran from 2011 to 2013

42. From 2011 to 2013, EECA delivered a special programme to provide grants for community home repairs to enable insulation and clean heating devices to be installed. This initiative was targeted at the Ratana community, south of Whanganui, and included all 113 existing houses in the community (as well as some secondary dwellings, bringing the total to about 130).
43. The project was managed and delivered by EECA, in liaison with Ratana Ahuwhenua Trust and with funding support from the Housing New Zealand Corporation and Te Puni Kōkiri. All repairs and insulation and heating retrofits were fully funded by government. However, the repairs were limited to those essential for health, safety and energy efficiency measures.⁸
44. The project had funding of \$2.06 million for repairs and \$650,000 for insulation and clean heating retrofits. The project was completed ahead of schedule and under budget. The total actual costs of the project equated to about \$20,000 per dwelling.

Benefits and costs of this initiative

45. There is a significant amount of New Zealand research that demonstrates a strong association between the New Zealand Deprivation Index and other health outcomes⁹. Warmer Kiwi Homes aims to alleviate some of this by providing subsidised insulation and heating to low income owner occupiers. However, insulation and heating has limited or no benefit if the house is not weather tight (i.e. leaking roof, cladding and windows). This is the

⁸ The weather tightness and safety repairs undertaken included:

- fully replacing the roofs of over 65 homes and repairing 35 roofs
- repairing or replacing 230 windows
- repairing 15 bathrooms and completing over 75 plumbing repairs
- repairing or replacing the cladding on approximately 50 houses.

⁹ Increasing deprivation levels are associated with increased total mortality, injury related mortality, asthma prevalence in adults, SIDS, domestic fire deaths, and mortality attributable to causes amenable to treatment such as lung cancer, diabetes, rheumatic fever, ischaemic heart disease, pneumonia, chronic obstructive respiratory disease, asthma, peptic ulcer, alcoholic liver damage, complications in pregnancy and perinatal causes.

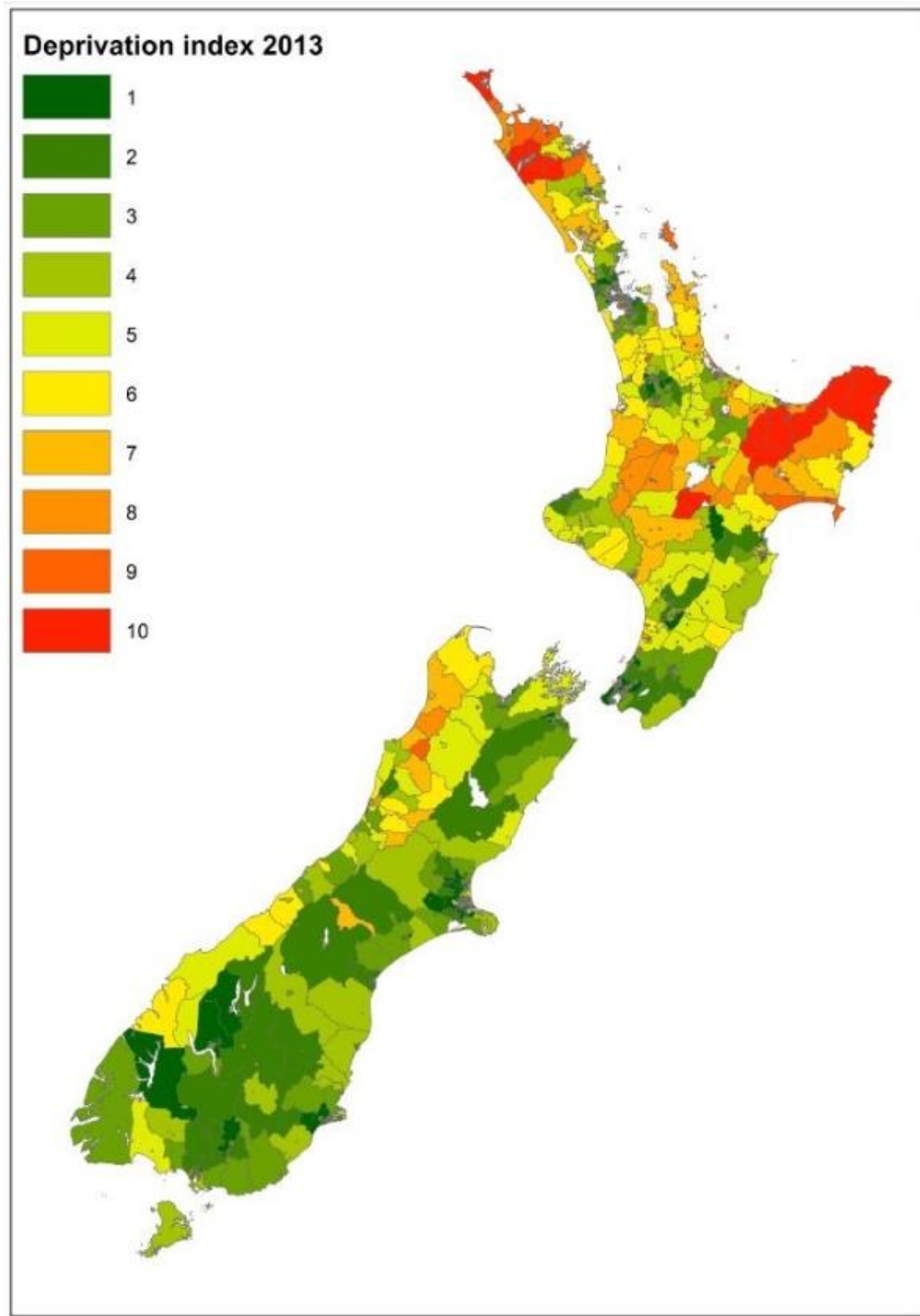
situation facing the most deprived households in New Zealand. These households are also unlikely to be able to afford any contribution to the costs of improvement.

46. Given the costs associated with the Ratana project, we feel it would be appropriate to assume costs of about \$30,000 per dwelling, plus the costs of running the programme. To provide a sense of scale, it would cost over \$3 billion to cover the 111,000 owner-occupied dwellings in deprivation index areas 8, 9 and 10 that have not received insulation or heating under an EECA-provided programme. A programme of this size would have quite significant operational costs (roughly estimated at 10%), but may also benefit from better material costs due to economies of scale.

Post-COVID employment and economic implications

47. The range of interventions included in the Better Kiwi Homes programme, and the geographic spread of high deprivation index areas, would provide significant economic stimulus. Some of this stimulus would come from the demand for locally manufactured materials (insulation, timber, roofing etc).
48. The scale of the Better Kiwi Homes programme would obviously require a significant work force to manage and implement (builders, electricians, plumbers, insulation and heating companies). As with the Ratana project, Better Kiwi Homes would utilise local labour to the greatest extent possible.
49. As this work programme would require building and construction labour, we would need to do further work to understand if there would be sufficient labour available in the market to progress this initiative. The Ministry of Housing and Urban Development has advised us that Master Builders are expecting some downturn in demand for residential construction services as a result of COVID-19. While it is too early to have much sense of how significant that downturn will be, there is likely to be some additional capacity in the sector to pick up additional work such as this programme.
50. Re-training (apprenticeships) will almost certainly be needed to service the demand from the construction sector, but this would help provide long-term employment and skill enhancement as well as substantially alleviating energy poverty and improving health outcomes.

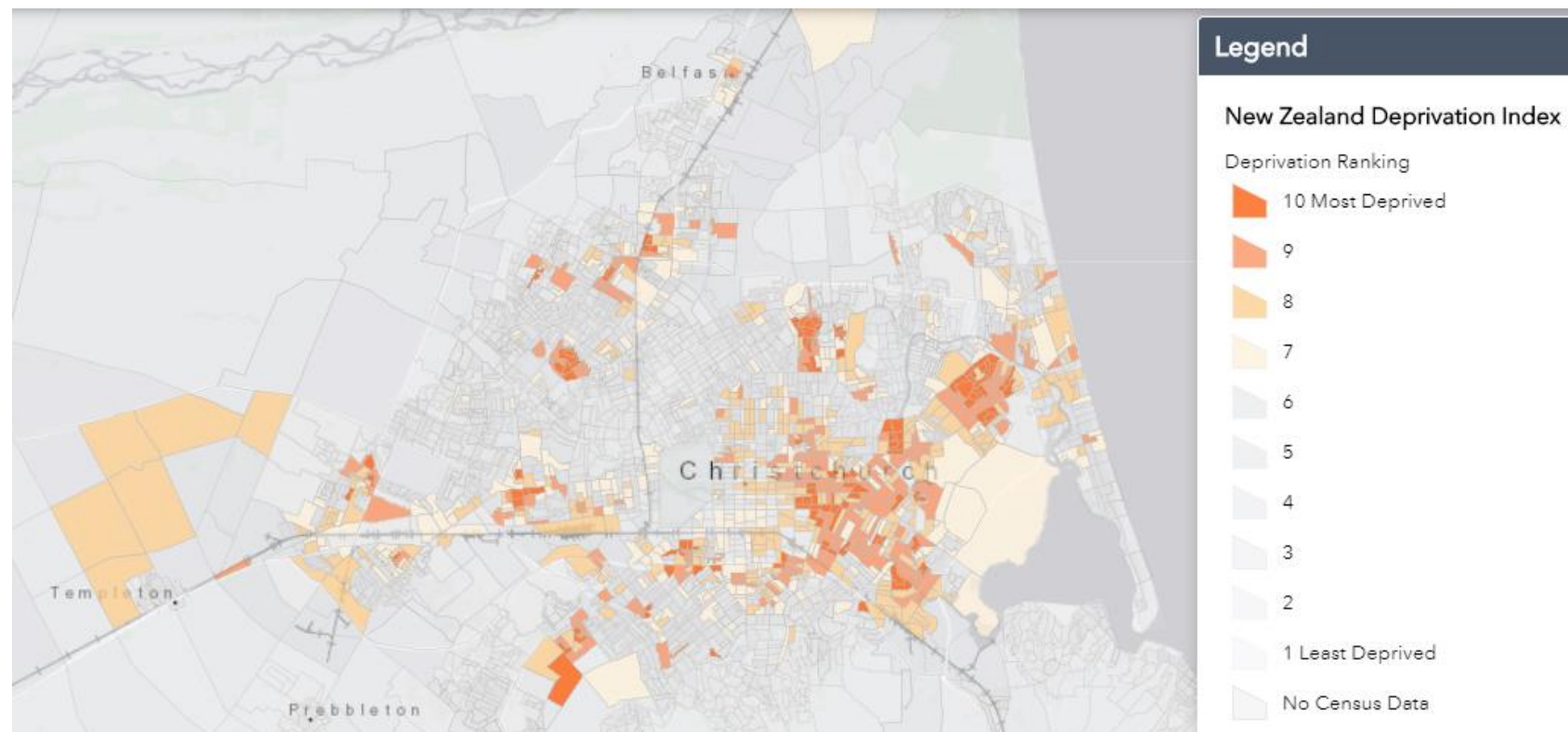
Appendix 1 - Distribution of Deprivation Index Areas



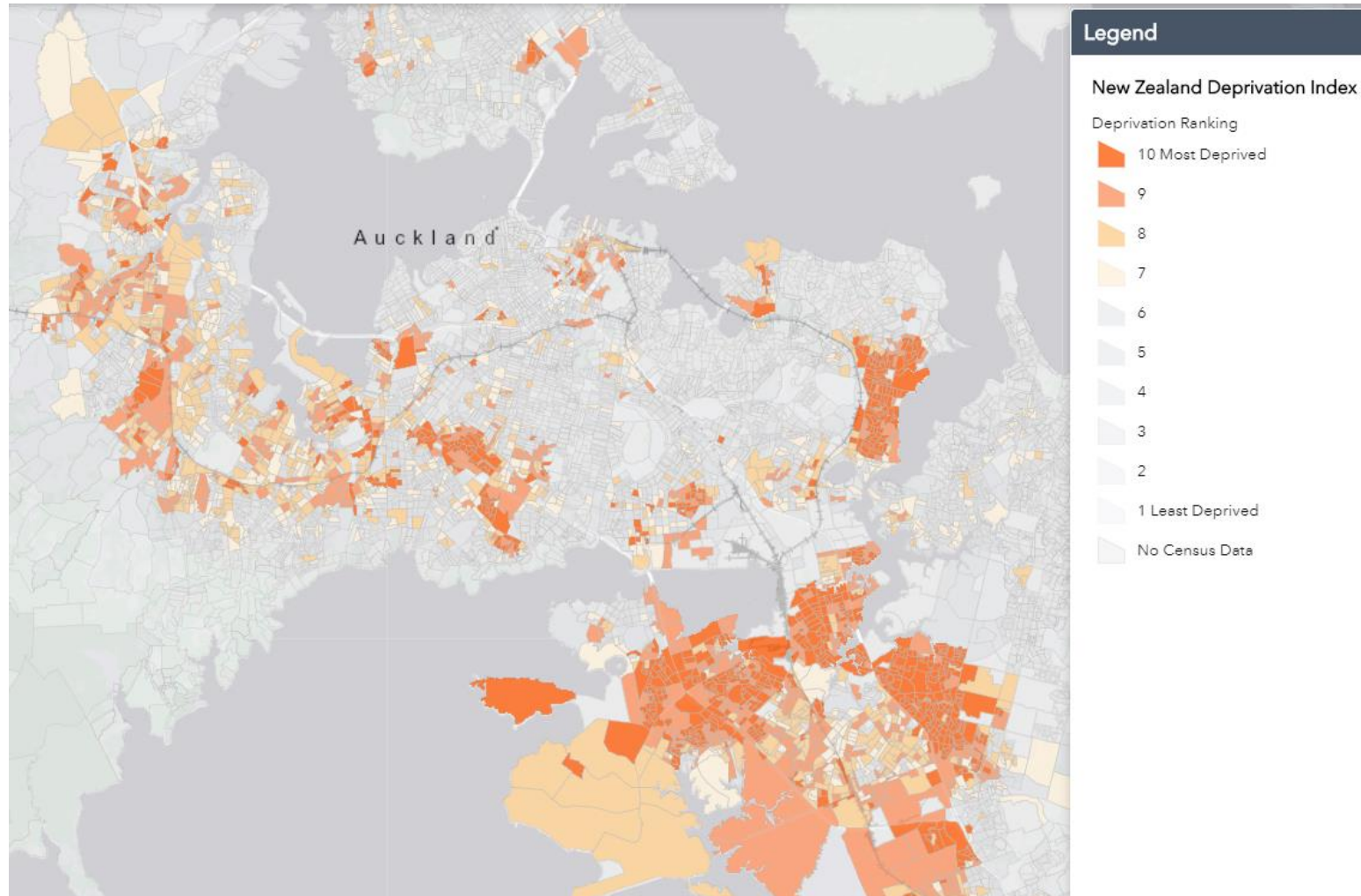
The interactive map that was used to prepare the below images can be accessed here:

<https://statsnz.maps.arcgis.com/apps/webappviewer/index.html?id=967d0338fe334ecc9b875b02a5a297e2>

Christchurch



Auckland



To	Hon Dr Megan Woods MINISTER OF ENERGY AND RESOURCES		
Title of briefing	Adjusting the level of <i>Warmer Kiwi Homes</i> grant funding		
Date	29/04/2021		
EECA reference number	EECA 2021 BRF 008	Response required by:	6 May 2021
EECA priority	High		
Consultation	Ministry of Business, Innovation and Employment (MBIE)		

EECA contacts

Position	Name	Mobile Number	Work Number	1 st Contact
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Responsible Manager	Jesse Corlett	9(2)(a)	04 470 2213	
Principal author	Nesta Jones		04 470 2226	

Purpose

- EECA's *Warmer Kiwi Homes* programme will receive an additional \$120.092 million in funding for 2021/22 and 2022/23 from Budget 2021.
- EECA and MBIE are seeking your approval to adjust the level of grant funding from 90% to 80% of the cost of insulation and heating from Budget Day (20 May 2021). This will:
 - enable funding to reach more homes
 - help ensure funding is available through to the end of 2022/23, and
 - better utilise third-party funding.

Key messages

1. *Warmer Kiwi Homes* is one of EECA's best known and most successful programmes. Over 60,000 insulation and heating retrofits have been installed under the programme between July 2018 and April 2021.¹
2. *Warmer Kiwi Homes* received an additional \$56.44 million in Budget 2020 for the remaining two years of the programme (2020/21 and 2021/22) as part of the Government's post COVID economic recovery spending initiatives. This provided funding to deliver an estimated 9,000 additional retrofits and to increase grant funding from 67% to 90% of the cost of a retrofit.
3. This was extremely successful as it significantly boosted demand and stimulated high levels of activity in the market.
4. The *Warmer Kiwi Homes* programme will receive additional funding from Budget 2021, which will extend the programme to 30 June 2023. The funding is:
 - a. \$115.022 million for grants over 2021/22 and 2022/23 and
 - b. \$5.070 million in implementation costs in 2022/23.
5. EECA and MBIE propose to adjust the level of grant funding from 90% to 80% of the cost of insulation and heating. This will enable grant funding to reach more homes, ensure funding is available through to the end of 2022/23, and better utilise third-party funding.
6. We also propose that the grant rate is adjusted from Budget Day (20 May 2021) as it is prior to the winter rush, will reduce the risk of a surge in demand, and will simplify the required administrative changes.
7. EECA estimates that this additional funding, at a grant rate of 80%, will result in 47,700 additional retrofits.²

¹ Successive EECA home insulation retrofit schemes since 2009 have delivered over 350,000 insulation retrofits.

² If the grant rate is held at 90%, EECA expects the funding will result in 42,500 additional retrofits.

Recommended actions


- a. **Note** that the *Warmer Kiwi Homes* programme will receive \$120.092 million over two years in funding from Budget 2021 (\$115.022 million for grants and \$5.070 million for implementation costs), which will deliver an additional 47,700 insulation and heating retrofits at a grant rate of 80%
- b. **Agree** that the level of grant funding be adjusted from 90% to 80% to reach more homes, help ensure funding is available through to the end of 2022/23, and better utilise third-party funding
- c. **Agree** that any changes to grant funding take effect from Budget Day on 20 May 2021

Agree / Disagree

Agree / Disagree



Andrew Caseley
CHIEF EXECUTIVE, EECA
29 / 04 / 2021



Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES
5 / 5 / 21

Background

***Warmer Kiwi Homes* is a government programme offering insulation and heater grants to low-income owner-occupiers**

3. To be eligible for the *Warmer Kiwi Homes* programme, a person must own and live in a home built before 2008 and:
 - a. hold either Community Services Card or SuperGold Combo card; or
 - b. live in an area identified as low-income; or
 - c. Be referred to a service provider by the Ministry of Health's Healthy Homes Initiative.
4. To be eligible specifically for a heating grant, in addition to the above, a person must:
 - a. already have insulation installed, up to the current *Warmer Kiwi Homes* insulation standard; and
 - b. not have an existing, operational heating appliance in the main living area.
5. *Warmer Kiwi Homes* grants are available to homeowners (not for rental properties) and cover both:
 - a. 90% of the cost of ceiling and underfloor insulation and on-ground moisture barrier³. In some areas, generous funding from community organisations means the cost to the homeowner is even lower for insulation.
 - b. 90% of the cost of a heat pump or efficient wood or pellet burner for the main living area. Grants for heaters are capped at \$3000 (including GST). Wood and pellet burners are not available in all areas.

The programme received a \$56 million boost in Budget 2020

6. As part of the Government's COVID-19 Response and Recovery Fund, the *Warmer Kiwi Homes* programme received a \$56.44 million boost for the remaining two years of the programme (2020/21 and 2021/22) with funding for an estimated 9,000 additional retrofits, and grant funding increasing from 67% to 90% of the cost on an insulation or heating retrofit.
7. This initiative set out to stimulate extra demand for the *Warmer Kiwi Homes* programme by further incentivising low-income owner occupiers to access insulation and heating grants. In addition, the initiative:
 - a. recognised the higher barrier for low-income households to meet their share of the cost in the post COVID-19 economy, and

³ Moisture barriers are an optional measure under the programme although it is mandatory to offer it to an owner if the home requires it as per the HHG criteria.

- b. enabled the heating and insulation industries to recover and expand post lockdown.

The initiative was successful at significantly lifting demand for the programme

8. The boost significantly increased demand and stimulated unprecedented activity in the market. To date, over 30,000 retrofits (heating and insulation) have been completed against an initial full-year target of 25,000 retrofits. We expect to deliver 40,000 retrofits as EECA's most recent forecast.
9. Since the start of the programme, over 60,000 insulation and heating retrofits have been completed.
10. *Warmer Kiwi Homes* has been a success not only for grant recipients but for service providers delivering retrofits in a challenging economic environment.

Adjusting the level of grant funding

The programme will receive additional funding from Budget 2021

11. As part of Budget 2021 MBIE and EECA submitted a bid requesting funding to 'top up' the original *Warmer Kiwi Homes* programme so that it may continue through to its scheduled end date (June 2022)⁴, and further funding to extend the programme a further three years out to 2024/25.
12. The bid was successful, but at a scaled amount. The programme will receive an additional \$120.092 million in funding from Budget 2021:
 - a. \$115.022 million for grants over 2021/22 and 2022/23 and
 - b. \$5.070 million in implementation costs in 2022/23.

We are seeking your agreement to adjust the level grant funding to 80%

13. The *Warmer Kiwi Homes* Budget 2021 bid was developed on the basis of an 80% grant rate from Budget Day (20 May 2021). The rationale for this adjustment, which will mean more homes can be reached, is:
 - a. **Tempering demand** - 90% grant funding generates high demand and currently, EECA is doing little to actively market the programme. Aside from narrowing eligibility criteria, EECA has no levers to manage demand.
 - b. **Recognising the post-COVID purpose of the 90% grant rate** – the increase in grant funding (from 67% to 90%) in 2020 was intended to make insulation and heating retrofits more affordable and increased demand to sustain employment and economic activity, which has been achieved.

⁴ The rate of expenditure meant that funding meant that funding would likely be depleted well before June 2022.

- c. **Making use of third-party funding** – the 80% grant rate will make more use of the considerable third-party funding that the programme regularly attracts.
14. The outcomes and implications of both retaining the 90% grant funding and reducing the level of grant funding to 80% are set out below.

Retaining the 90% grant funding

15. If the grant rate is held at 90%, EECA expects the funding will result in 42,500 additional retrofits.
16. We would expect to see continued high levels of demand and that funding would likely run out prior to the scheduled end of the programme (June 2023). This would mean we are likely to be in the same position as this budget cycle, wherein a budget bid is required to ‘top up’ the programme (i.e. in Budget 2022) before its scheduled end date.

Reducing the grant funding to 80%

17. If the grant rate is reduced from 90% to 80%, EECA estimates that this will result in nearly 48,000 additional retrofits (47,700 insulation and heating retrofits).
18. EECA estimates that there will be an approximately 25% reduction in demand because of the grant rate change. This would increase the likelihood that funding is available through to the scheduled end date of June 2023.

We are proposing that the adjustment takes effect on Budget Day

19. Reducing the grant funding from 90% to 80% from Budget Day (20 May 2021) is preferred for several reasons, including:
- It is at the beginning of the winter period when there is less demand and shorter lead times - in contrast, 1 July (the start of the new financial year) is the middle of our winter rush.
 - The change will be immediate so there will be no opportunity for the service provider market to react or for a surge of quotes at the 90% grant rate.
 - Announcing the reduction in grant funding at the same time as the additional funding will ease the administrative burden of having to manage service provider funding allocations when changes to grant funding levels remain unannounced publicly.
20. If a visit for a quote has occurred on or prior to 20 May 2021, EECA will honour it at 90% grant rate even though the quote may not have even been accepted (although it must be accepted by 20 June).
21. Those quoted from 21 May 2021 onwards will receive the 80% grant rate.⁵

⁵ There will be some flexibility on grant rate for special circumstances.

Risks and mitigations

22. There is a risk that the reduction in grant funding is perceived negatively in the media. However, given that it was a successful COVID-19 Response and Recovery Fund initiative, our view is that this is *low-risk* for the following reasons:
 - a. 80% is still higher than the level of grant funding pre-COVID (67%)
 - b. the grant rate change ensures funding support will reach more households (approximately 10% more than at 90% grant funding), and
 - c. the grant rate change will allow us to better utilise third-party funding – we expect that in many cases retrofits will be free or very low cost to the homeowner due to third-party support.
23. There is also a risk of a surge in quotes ahead of an anticipated change in grant rate. As set out in our preferred approach in the previous section, we intend to mitigate this risk with a Budget day announcement of the grant rate change.

Next steps

24. Subject to your approval, the level of grant funding will reduce from 90% to 80% from Budget Day (20 May 2021).
25. If your preference is for grant funding to remain at 90%, there are other options in order to manage demand. Aside from ending the currently (already low) level of marketing, this is likely to require a change in eligibility criteria, ultimately reducing the overall size of the *Warmer Kiwi Homes* market.



Title of briefing	Future nature of the <i>Warmer Kiwi Homes</i> programme		
Date	5 November 2021		
EECA reference number	EECA 2021 BRF 020 MBIE: 2122-1634	Response required by:	Friday 12 November 2021
EECA priority	High		
Attachments	Appendix One: What <i>Warmer Kiwi Homes</i> currently offers Appendix Two: Further information on estimate of under-insulated homes		

Contacts

Position	Name	Mobile Number	Work Number	1 st Contact
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Principal author (MBIE)	Laurie Boyce		021 864 928	
Principal author (EECA)	Nesta Jones		04 470 2226	

Purpose

1. We are seeking your direction on the development of a Budget 2022 cost-pressure bid for EECA's flagship residential programme, *Warmer Kiwi Homes*.

Key messages

- *Warmer Kiwi Homes* is EECA's best known and one of its most successful programmes. Since the start of the programme in July 2018¹, EECA has delivered 77,779 retrofits (55,270 insulation and 22,509 heating). Successive EECA home insulation retrofit schemes since 2009 have delivered over 365,000 insulation retrofits and over 60,000 heating retrofits. EECA attributes the success of *Warmer Kiwi Homes* and its precursors to their **simplicity and ability to deliver at scale**.
- When the programme's current funding expires in June 2023, there will still be a significant number of eligible owner-occupied households that require insulation retrofits – EECA recently estimated approximately 100,000 eligible owner-occupied households² remain under-insulated (including those that are uninsulated).
- We estimate that 80% (80,000) of these households can still be reached effectively using the current approach (subject to further funding and maintaining the current grant rate). The remaining 20% (20,000) we consider either “hard to reach” (e.g. homeowner reluctance to engage with government or let service providers into their home), or unable to have a retrofit (e.g. due to cavity space issues within the ceiling or underfloor or unaffordability of the retrofit).
- The Minister of Finance has invited a cost-pressure bid on *Extending the Warmer Kiwi Homes programme* for consideration through Budget 2022.
- We understand your priority for *Warmer Kiwi Homes* is **to maximise its reach**, so we are seeking your agreement on our proposed approach where the current national volume-based model is continued beyond June 2023, but with parallel delivery of a community level focused outreach model to better access “hard to reach” households. A higher proportion of operational funding would be required to support this outreach primarily due to the additional resource required on the ground generating leads.
- We would propose allocating approximately 85% of programme funding to the volume based model and 15% to community level focused outreach.
- We are seeking your agreement to propose in the bid that the community level focused outreach commences from 1 January 2023, and that it would also offer other straightforward energy efficiency and cost saving measures as part of this outreach.

¹ As at 2 November 2021

² Noting that a key criteria for current eligibility is that a person must own and live in the home

Recommended actions

- a. **Agree** to MBIE and EECA's proposed approach to the *Extending the Warmer Kiwi Homes programme* bid, where the current volume based model is continued beyond June 2023 with the addition of a community level focused outreach
- b. **Agree** that the bid proposes that the community level focused outreach commences from 1 January 2023
- c. **Agree** that the bid proposes that part of the proposed community level focused outreach is the provision of other straightforward energy efficiency measures
- d. **Note** that we propose allocating approximately 85% of programme funding to the volume based model and 15% to community level focused outreach

Agree / Disagree

Agree / Disagree

Agree / Disagree

Noted

Andrew Caseley
CHIEF EXECUTIVE, EECA
5 / 11 / 2021

Suzannah Toulmin
ACTING MANAGER, ENERGY
MARKETS POLICY, MBIE
5 / 11 / 2021

Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES

7 / 11 / 21

Discuss
Solow
advice
when
meet.

Current *Warmer Kiwi Homes* programme

***Warmer Kiwi Homes* has delivered over 75,000 retrofits to low income homeowners**

2. EECA's flagship *Warmer Kiwi Homes* programme, which provides grants to low-income owner-occupiers for insulation and heating retrofits, has been running since July 2018 and is scheduled to run through to the end of June 2023.
3. As at 2 November 2021, the programme has delivered 55,270 insulation and 22,509 heating retrofits (77,779 total retrofits). Successive EECA insulation programmes since 2009 (*Warmer Kiwi Homes* and its precursors) have delivered over 365,000 insulation and over 60,000 heating retrofits.
4. EECA attributes the success of the programme primarily to its simplicity and related ability to deliver at scale:
 - a. **Simplicity** – the programme offers a small number of measures (insulation and, since July 2019, heating) with clear household eligibility criteria
 - b. **Scale** – due to its simplicity, the programme is able to be *volume focused*, with external service providers following up leads under a commercial framework.

At the end of the funded period there will still be a significant number of households that require retrofits

5. You met with MBIE on 14 September 2021 to discuss potential Budget 2022 initiatives within your portfolio, including the extension/expansion of *Warmer Kiwi Homes*. At this time, you requested further advice on the number of households eligible for *Warmer Kiwi Homes* (refer to Appendix One for eligibility criteria) that are yet to be retrofitted, and why they are outstanding.
6. At the end of the programme's current funded period (June 2023), EECA estimates that there will be roughly 100,000 eligible owner-occupied households yet to be retrofitted with insulation under an EECA programme. Further detail on this estimate is included in Appendix Two.
7. We estimate that 80% (80,000) of these households can still be reached effectively using the current approach (subject to further funding and maintaining the current grant rate). Based on insights and data from the existing programme, we consider that the remaining 20% (20,000) will be:
 - a. "Hard to reach" due to reasons such as:
 - Homeowners not wanting to apply for a *Warmer Kiwi Homes* grant if they are distrusting of government intervention. This can particularly be the case for remote Māori communities that prefer to engage with iwi and other community organisations.

- Homeowners not permitting service providers (or strangers, more generally) to enter their homes. This could be for many reasons such as unfamiliarity with the service provider, embarrassment at the condition of the home or there being illegal activity occurring within the household.
- b. Unable to have a retrofit due to:
- Issues with the house itself. Service providers may not be able to carry out an insulation retrofit if the house has poor weathertightness (i.e. there are significant holes in the thermal envelope) or if there is not sufficient cavity space in the roof or underfloor.
 - The cost of the retrofit (with the level of the grant funding and available third party funding) may be unaffordable for the homeowner.

Seeking direction on our approach to Budget 2022

8. The Minister of Finance has invited the *Extending the Warmer Kiwi Homes programme* initiative for consideration as a cost pressure bid through Budget 2022. We are seeking discussion and direction on the development of this bid.

Maximising the current programme's reach with volume and community level outreach

9. At your meeting with MBIE you suggested the programme could reach further households if it took a dual approach that continued the national volume-based approach and added more focused community level outreach. You also suggested it could be geographically targeted in areas such as Northland and South Auckland.
10. The current programme is a volume based programme, where service providers follow up leads under a commercial framework. Though there are some instances when a service provider will door knock to generate leads, the current approach typically requires an 'active customer' – a customer that has sought the intervention. We know there is demand for this programme – despite adjusting the level of grant funding from 90% to 80% we have sustained a high level of demand for retrofits.
11. More focused community level outreach would complement the existing programme, allowing EECA to better access "hard to reach" households, such as those described above. This would involve engagement with locally relevant organisations, such as rūnanga trusts, marae, Royal New Zealand Returned and Services Associations (RSA), churches and Pasifika healthcare providers.
12. Any community level outreach would have a higher per house cost relative to the current (volume based) programme primarily due to the additional resource required on the ground generating leads. A higher proportion of operational funding would be required to support this outreach, and it could be geographically and community targeted, as you suggest.

13. There would be an opportunity to also offer other straightforward energy efficiency and cost saving measures with a community approach, such as LED bulbs³, energy efficient showerheads and behavioural advice including energy efficient appliance use (e.g. how to use and maintain a heat pump) and electricity plan and supplier review assistance. This would be based on some of the successful pilots funded by MBIE under the Support for Energy Education in Communities Programme (for example, Ecobulb's energy hardship reducing pilot programme in King Country).
14. **We are seeking your agreement that this two-pronged approach (volume and community level outreach) forms the basis of the *Extending Warmer Kiwi Homes programme* bid.**
15. We would propose allocating approximately 85% of programme funding to the volume based model and 15% to community level focused outreach in the bid.
16. We seek your agreement that the bid proposes that the community level focused outreach commences from 1 January 2023.
17. Note that this approach would not overcome all barriers to retrofits that we have identified, such as where there are issues with the house itself or affordability (outlined above).
18. Note that we submitted two deeper home retrofit initiatives as part of the 'Big Plays' work programme: *Better Kiwi Homes with a buildings focus* and *Better Kiwi Homes with a technology focus*. We will provide advice on these initiatives as part of that workstream as and when required.

Assessing for residential solar

Our analysis suggests that solar is not a cost effective energy efficiency measure at the residential level

19. We understand that you requested a calculation of how much grid-scale renewable electricity generation we could forgo if we introduced a residential solar subsidy scheme.
20. EECA analysis suggests that if government was to invest \$125m in purchasing 4 kilowatt solar systems for 12,500 homes in New Zealand⁴, we could expect this investment to defer approximately \$51m of new grid scale solar or \$47m of class 1 wind generation.⁵ This illustrates that solar is not yet a cost effective technology at the residential level, as opposed

³ Investment in LED lighting has also been invited for consideration through Budget 2022

⁴ These numbers are intended to be illustrative, and could be scaled. The \$125m represents 100% of the cost of the solar installs; a subsidy scheme providing part-payment would cost less for government, but approximately the same for the economy.

⁵ This is equivalent (on an energy quantity basis) to 43 megawatts of new grid scale solar and 22 megawatts of class 1 wind generation

to the commercial/industrial and utility-scale level. This is because it cannot be delivered cost effectively due to its bespoke nature.

21. Ongoing connection costs for solar are usually low and though maintenance costs (usually just cleaning the panels) are also typically low, the elderly or infirm may need to pay for someone to maintain (clean) the panels.

Next steps

22. We were scheduled to meet with you on Monday 8 November 2021, however we understand that this meeting is being rescheduled.
23. Subject to your agreement to the proposed approach, MBIE and EECA will develop the *Extending the Warmer Kiwi Homes programme* bid taking the proposed two-pronged approach (volume and community level outreach).

Appendix One: What *Warmer Kiwi Homes* currently offers

24. To be eligible for the *Warmer Kiwi Homes* programme, a person must own and live in a home built before 2008 and:
 - a. hold either Community Services Card or SuperGold Combo card ; or
 - b. live in an area identified as low-income; or
 - c. be referred to a service provider by the Ministry of Health's Healthy Homes Initiative.
25. To be eligible specifically for a heating grant, in addition to the above, a person must:
 - a. already have insulation installed, up to the current *Warmer Kiwi Homes* insulation standard; and
 - b. not have an existing, operational heating appliance in any living area.
26. *Warmer Kiwi Homes* grants are available to homeowners (not for rental properties) and cover both:
 - a. 80% of the cost of ceiling and underfloor insulation and on-ground moisture barrier⁶. In some areas, generous funding from community organisations means the cost to the homeowner is even lower for insulation.
 - b. 80% of the cost of a heat pump or efficient wood or pellet burner for a living area. Grants for heaters are capped at \$3000 (including GST). Wood and pellet burners are not available in all areas.

⁶ Moisture barriers are an optional measure under the programme although it is mandatory to offer it to an owner if the home requires it as per the Healthy Homes Guarantee criteria.

Appendix Two: Further information on estimate of under-insulated homes

27. Any analysis into the number of under-insulated low-income owner occupied homes remaining in New Zealand (both in NZDep 8, 9, 10 zones and in all NZDep zones) is very limited by the data available to us. For example, data provided to EECA by the Ministry of Housing and Urban Development suggests the number of remaining low-income owner occupied homes could be far higher than 100,000 households.
28. EECA has estimated the number of remaining eligible households after June 2023 using census data and EECA's numbers on installs in owner occupied homes.
29. The following assumptions have been made:
 - a. the proportion of households that qualify because they are Community Services Cardholders (approximately 33%) and those that qualify because they live in NZDep zones 8, 9 and 10 (approximately 67%) remains the same,
 - b. there have been no changes to property status during the programme (from a rental to an owner-occupied household or vice-versa), and
 - c. the estimate does not include the 2018 changes to the deprivation index (whereby some houses were reclassified as being situated in a different deprivation index than previously).

Title	Update on Warmer Kiwi Homes activity and recommendations for amendments to funding settings in exceptional circumstances		
Date	31/03/2023		
To	Hon Dr Megan Woods, Minister of Energy and Resources		
From	Andrew Caseley, Chief Executive EECA		
EECA reference number	EECA BRF 2023 008	Response required by:	3 April 2023
EECA priority	Urgent		
Attachments	Attachment One: Warmer Kiwi Homes Winter 2023 Campaign		

EECA contacts

Position	Name	Mobile Number	Work Number	1 st Contact
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Responsible manager	Will Jensen	9(2)(a)	04 470 2441	
Principal author	Alex Doyle Franklin	9(2)(a)	04 470 2425	

Purpose

1. The purpose of this paper is:

- To seek your approval to elevate the grant funding available through the Warmer Kiwi Homes programme to provide 100% funding to households that are referred from Te Whatu Ora's Healthy Homes Initiative;
- To seek your agreement to EECA offering Warmer Kiwi Homes grants at a rate of 100% to assist previously-funded households with uninsured homes that have incurred damage as a result of Cyclone Gabrielle or other recent extreme weather events;
- To advise you of recent changes EECA has made to the insulation specification used in the Warmer Kiwi Homes programme; and
- To make you aware of planned Warmer Kiwi Homes promotional activity in the lead up to Winter 2023.

Background

2. Warmer Kiwi Homes (WKH) offers insulation and heating grants to low-income homeowners. The programme offers grants to owner occupiers, covering 80% of the cost of insulation and heating for homes in an area identified as lower-income (Community Service Card holder or in a New Zealand Social Deprivation Index 8, 9 or 10 area) and built before 2008, or where there has been a referral under the Healthy Homes Initiative.
3. Under the WKH programme, recipients are required to co-fund 20% of the total cost of heating and insulation retrofits. This means that eligible households are required to contribute around \$600 - \$800 to receive a WKH grant.

EECA wishes to elevate WKH co-funding in instances where recipients are facing exceptionally challenging circumstances

4. There are two defined situations where EECA sees value in increasing the amount of co-funding available to eligible recipients. This is in recognition of exceptional circumstances which otherwise would limit access to the WKH programme. We are seeking your:
 1. **approval** to increase co-funding from 80% to 100% for all referrals from Te Whatu Ora's Healthy Homes Initiative (HHI) that meet the WKH eligibility.
 2. **approval** to fund at 100% previous WKH recipients, where they have an uninsured WKH qualifying homes that have incurred damage as a direct result of Cyclone Gabrielle or other recent extreme events. These households would not normally be eligible for a second grant under current programme settings.
5. The justification for these approaches is discussed below.

Te Whatu Ora Healthy Homes Initiative

6. Te Whatu Ora's HHI was established from 2013 across 11 district health boards with a high incidence of rheumatic fever. Initially the HHI was targeted to assist low-income families with children at risk of rheumatic fever who were living in crowded households. Since 2016, the programme has been expanded to focus more broadly on providing warm dry homes for pregnant people, low-income families with children aged 0-5 who have been hospitalised with a specialised housing related condition, and families with children between 0-5 for whom a least two of the social risk investment risk factors apply.
7. Under the WKH programme, recipients are required to co-fund 20% of the total cost of heating and insulation retrofits. This means that eligible households are required to contribute around \$600 - \$800 to receive a WKH grant. Many households face challenges in meeting this requirement, and additional government or NGO support is limited. Households referred through the HHI have a particularly strong reliance on third party funding given the compounding challenges they face. These referrals are

often from homes where there are the highest levels of deprivation and with compelling underlying health needs.

8. Following recent consideration and a recommendation from EECA's Board, your approval is sought to allow EECA to offer 100% funding to all HHI referrals that meet the WKH eligibility. The increase in referrals that EECA expects this to generate is considered a positive step in addressing the high needs across these households.
9. If we assume that demand will increase by 150% (from approximately 300 referrals per annum to 750), then the increased cost to WKH will be approximately \$881,000 per annum (from existing programme budget). However for this investment an additional 450 high-need households will have been identified and assistance provided. Note this assumes all eligible households will receive both heating and insulation grants and is based on the programme average costs for both.
10. At least initially, EECA advises that there is no cap placed on the total number of WKH Programme referrals from HHI. Rather EECA will continue to monitor progress and review the available funding should there be a higher uptake.
11. EECA is confident that this additional cost represents a good return to the Crown given the high need across qualifying households, and the strong needs-based assessment process used to determine eligibility for HHI assistance. Revising the funding support will also allow the currently used third party funding to be redeployed for use on other qualifying WKH recipients.

Flood Damage Assistance Opportunity

12. Low-income households that have previously received heating and insulation grants through the WKH programme are among the communities with uninsured damaged homes across large areas of the North Island, resulting from Cyclone Gabrielle and other recent extreme weather events.
13. These households are now facing a range of challenges, including:
 - Homes require reinsulating, particularly underfloor.
 - Some heating elements have been damaged by flooding.
 - Many impacted homes will be uninsured.
 - Contaminated or water damaged insulation is not reusable.
14. As a result of the conditions identified above, EECA is receiving requests from some previous recipients to apply for a second grant to re-insulate or fix their damaged heating and insulation products.
15. In recognition of the extreme stress placed on these households, EECA is requesting your approval to provide a 100% funded WKH grant to assist previously-funded households with uninsured damaged homes resulting from Cyclone Gabrielle and other recent extreme weather events.
16. Approving the second grant at 100% funding is preferred, reflecting that those targeted by this initiative have previously invested 20% co-funding when receiving their initial grant, and the

exceptional circumstances they are experiencing may hinder their ability to meet this co-funding requirement on a second instance.

17. Currently, EECA has identified approximately a dozen households that have previously received WKH grants and are facing Cyclone damage to uninsured assets where additional support would be suitable. At a maximum, EECA estimates that there could be up to 500 households requiring this support, however this is unlikely. Based on an estimated cost of \$600 per household, this would equate to approximately \$300,000 of WKH programme funding to go towards this initiative.

EECA is making changes to the insulation specification used in the WKH programme

18. Prompted by MBIE's recent amendments to the Building Code in November 2021 (which take effect from May 2023), EECA has updated the insulation specifications for products used under the WKH programme. Although the Building Code does not mandate a specific level of insulation for retrofits, and alignment between the WKH programme and the Building Code is optional, EECA proactively reviewed the economics and practicality of applying the Building Code's new R-values to the WKH programme.
19. This review included consultation with a range of key stakeholders (MBIE, BRANZ, EECA service providers (installers), IAoNZ (Insulation Association of New Zealand) and insulation manufacturers). Following review of the costings and relative benefits under various scenarios the EECA Board has recently approved the recommended following change to the R-values specified in the Programme:
 - **Underfloor** – increase from R1.3 insulation product to R2.0. This is slightly lower than the new Building Code, which specifies R2.5.
 - **Roof** – increase from R2.9 - 3.3 insulation product to R3.6 - 4.0. This is also lower than the new Building Code which specifies R6.6.
20. Taken together, analysis of the energy benefit suggests that there is an approximate 50 cents per m² per annum reduction in energy costs from this increase to R-values (around \$50 a year for a 100m² house).
21. This increases the R-values from current levels to a new level that is lower than that required by the new Building Code (for new builds). This is primarily driven by practicality constraints of retrofitting insulation as the buildings receiving retrofits typically are operating with more space constraints in underfloor and roofing environments relative to new builds. There is also cost implications on the programme with full alignment to the new building code, which would hinder the programme reach with low cost-benefit of such a move. The adopted approach also reflects preferences across WKH providers, mostly relating to the product preferences.
22. EECA's adopted increase to R-values carries the following cost increases and related impacts to the WKH programme reach, measured against EECA's FY23-24 target of 16,000 insulation retrofits:

a. Underfloor insulations – 98 fewer houses

The impact on programme delivery generated from EECA's newly adopted R2.0 specification for underfloor insulation is very minor, with EECA estimating that this would lead approximately 0.5% or 98 fewer houses being retrofitted in FY23-24 for the same total funding¹. Full alignment with the Building Code's required specifications (R2.5 – 3.0) would result in practicality constraints (limited products available suitable for the underfloor environments of the buildings included), coupled with strong preference from Service Providers, and significantly higher costings.

b. Roofing insulations – 1,850 fewer houses

EECA's adopted R3.6 - 4.0 increase in R-value for insulation for roofing spaces represents a more significant impact on programme delivery. EECA estimates suggest this will lead to approximately 11% or 1,850 fewer houses receiving retrofits in FY23/24 for the same total funding². Alternatively, full alignment with the Building Code's (R6.6) thermal specifications for roofing spaces would cost EECA approximately \$3000 per house³, representing a doubling of the install cost. This would have a significant impact on programme delivery, leading to 8,000 fewer houses being retrofitted for the same total funding (based on FY23-24 programme target of 16,000 homes).

We will go live with Warmer Kiwi Homes promotional activity next week

23. As we approach Winter '23, we are looking to ramp up our seasonal efforts to promote uptake of WKH support.
24. With the cost of living increases, a smaller pool of eligible customers and other headwinds we need to make sure we are evolving our approach to best support the goals of the WKH programme. We have refreshed the centralised marketing approach for the first time in three years, looking at an authentic and meaningful way to take the key benefits of WKH to potential customers.
25. Attached as **Appendix 1** is a campaign overview that will go out to stakeholders that explains the campaign and lets them see the new video content before it goes public.

¹ This is based on 100 m² of product required per house¹ (indicative average area of underfloor insulation installed), representing an additional cost of \$16 per house for EECA.

² This is based on 90 m² of product per house (indicative average area of roofing insulation installed), which represents an additional cost of \$300 per house for EECA.

³ Note this is a weighted average of glass wool and polyester products, based on approximate costing of R6.6 products of \$25/m² and \$20/m² respectively.

Next steps

26. Subject to your approval, officials will develop an appropriate process for identifying and verifying Cyclone Gabrielle or other extreme weather event impacted property owner's eligibility for elevated funding.
27. Should you approve the increase to 100% fund HHI referrals, EECA will continue to monitor progress and review the available funding should there be a higher uptake.

Recommended actions

EECA recommends that you:

- a. **Approve** an increase to the level of grant funding available through the Warmer Kiwi Homes programme from 80% to 100%, for all Healthy Homes Initiative referrals that meet existing Warmer Kiwi Homes eligibility criteria.

Approve / Disapprove

- b. **Approve** EECA offering Warmer Kiwi Homes grants at a rate of 100% to assist previously-funded households with uninsured homes that have incurred damage as a result of Cyclone Gabrielle or other recent extreme weather events.

Approve / Disapprove

- c. **Note** EECA has recently undertaken a review of the insulation specifications for products used under the Warmer Kiwi Homes programme, prompted by MBIE's recent amendments to the Building Code in November 2021 (which take effect from May 2023).
- d. **Note** that the EECA Board has approved an increase in the insulation specifications in the Warmer Kiwi Homes programme, and this represents an increase from the old Building Code but remains lower than the specifications included in the new Building Code based on the practicality of retrofits and the cost benefit assessment completed.
- e. **Note** that EECA will commence its Warmer Kiwi Homes promotional activity for Winter '23 from early next week.

Andrew Caseley
CHIEF EXECUTIVE, EECA

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Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES

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Appendix One: Warmer Kiwi Homes Winter 2023 Campaign

To: Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES

Title of briefing	Warmer Kiwi Homes – Changes to Insulation Grant Level & Eligibility		
Date	16/06/2023		
EECA reference number	EECA 2023 BRF 013	Response required by:	30/06/2023
EECA priority	Medium urgency		
Attachments	N/A		

EECA contacts

Position	Name	Mobile Number	Work Number	1 st Contact
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Responsible manager	Will Jensen	9(2)(a)	04 470 2441	
Principal author	Zoe Barton-Howes	-	04 495 8272	

Purpose

1. This paper seeks your approval, subsequent to a recommendation from the Board of EECA, to expand the eligibility criteria of the Warmer Kiwi Homes insulation grants, and to increase the insulation grant rates in part.

Key messages

- The Warmer Kiwi Homes (WKH) Programme offers insulation and efficient heating grants to qualifying low-income homeowners.
- The programme has delivered over 117,000 retrofits to date. However, insulation installers advise it is becoming increasingly difficult to locate qualifying households in lower decile areas and secure from these homeowners the 20% required co-investment amount for insulation. Milder-than-usual weather and the high cost of living (making it more difficult for homeowners to meet their share of

the cost) are considered contributing factors to this lower level of demand for insulation; together with the fact there are fewer and fewer eligible homes in the existing eligible targeted deprivation index areas.

- This is likely to result in an underspend on the WKH programme this year, and a modest shortfall on the target installs of 26,500. If the matters identified above are not addressed this is also a highly likely outcome for 2023/24.
- For many insulation installers, WKH retrofits make up a significant portion of their business. They depend on having a steady pipeline of work, and there is a risk that if uptake of the programme remains slow, installers' businesses may no longer be viable. The Warmer Kiwi Homes Programme relies entirely on a viable, profitable service provider base, particularly to allow national coverage.
- In order to meet our targets under the programme through securing sufficient eligible homes, and to help maintain a viable number of insulation installers, the EECA Board recommend and are seeking your:
 - **Approval** to include Deprivation Index 7 areas for insulation eligibility (under the existing conditions), at a grant rate of 80%, from 1 August 2023.
 - **Approval** to increase the grant rate for insulation installs for Deprivation Index areas 9 & 10 from 80% to 90%, from 1 August 2023.
- Evidence to date is indicating that demand for heating installs is not facing the same issues, and therefore there are no proposed changes to the current eligibility or grant settings for heating installs at this stage.
- EECA would also like to provide an update on a proposal put forward on 31 March 2023, to offer Warmer Kiwi Homes grants at a rate of 100% to assist previously-funded households with uninsured homes that have incurred damage as a result of Cyclone Gabrielle or other recent extreme weather events (EECA BRF 2023 008). Please **note** that EECA no longer plans to pursue this proposal. EECA will instead manage any applications on a case-by-case basis, applying flexibility where appropriate.

Background on Warmer Kiwi Homes

3. WKH offers insulation and heating grants to low-income homeowners. The programme offers grants to owner occupiers, covering 80% of the cost of insulation and heating for homes in an area identified as lower-income (Community Service Card holder or in a New Zealand Social Deprivation Index 8, 9 or 10 area) and built before 2008, or where there has been a referral under the Healthy Homes Initiative.
4. Under the WKH programme, recipients are required to co-fund 20% of the total cost of heating and insulation retrofits. This means that eligible households are required to contribute around \$600 - \$800 to receive a WKH grant. This is sometimes covered by third party funders but the coverage of this support is patchy throughout the Country.

Rationale for changes to the WKH Programme

5. The two main drivers for proposing changes to the Warmer Kiwi Homes programme are:
 - a. to ensure we are better able to achieve the targets for the programme, recognising it is becoming increasingly difficult to locate qualifying households in the lower deprivation index areas and secure from these homeowners the 20% required co-investment amount; and
 - b. to help ensure we maintain a financially viable number of installers.

To meet our targets under the Programme through securing sufficient eligible homes

6. Demand for WKH insulation grants has been lower than expected in early winter 2023. Milder-than-usual weather and the higher cost of living (making it more difficult for homeowners to meet their share of the cost) are considered contributing factors to this lower level of demand. Insulation installers report that homeowners are still happy to receive a free Warmer Kiwi Homes assessment, but a higher than usual number are dropping out of the process after this stage, once they receive the quote for how much the retrofit will cost them (on average, \$720).
7. Installers are also advising it is becoming harder to locate eligible and willing homeowners to participate in the programme, given insulation programmes have been delivered by EECA for over 15 years and so a considerable level of progress has been made insulating eligible homes in deprivation index areas 8,9 & 10. Budget 2023 has provided some additional funding for the programme to target these harder to reach eligible homeowners, but this will take time and considerable effort and will be insufficient to maintain the numbers required to meet the programme targets.
8. This will highly likely result in an underspend on the WKH programme this year, and a shortfall on the target installs of 26,500.

To maintain a viable network of insulation installers

9. For many insulation installers, WKH retrofits make up a significant portion of their business, and they depend on having a steady pipeline of work to remain viable.
10. Market conditions are such that a number of service providers may not be able to sustain themselves at the current levels of activity, given the effort and related cost required to secure houses for installs.
11. This would have a detrimental impact on the programme, should service providers drop out of the Programme or become selective as to where they offer services e.g., withdraw from lower-volume regional areas, and concentrate on higher-opportunity, larger urban areas.
12. The programme relies entirely on a viable, profitable service provider base, particularly to allow national coverage. This is especially relevant for the Trust-owned providers in the Programme. Experience has illustrated that once providers exit the market, it is very difficult for them to re-enter. It is in EECA's interests to ensure a healthy service provider market exists to insulate homes.

13. Both issues of meeting our targets and maintaining a viable installer network can be overcome by providing a larger base of opportunity to secure insulation installs by opening additional deprivation index areas and increasing grant rates. These options are further considered below.

Efficient Heating

14. Evidence to date is indicating that demand for heating installs is not currently facing the same issues. This is believed to be because:
- The installs are cheaper and so the homeowner contribution required is less.
 - Heating grants have only more recently been available so there is greater underlying demand in areas 8,9 & 10.
 - Heating is seen as having more immediate tangible benefits, as opposed to insulation which is “hidden” and so the benefit to homeowners isn’t as obvious.
15. Consequently, there are no proposed changes to the current eligibility or grant settings for heating installs.

Details of proposed changes

16. In order to meet our targets under the programme through securing sufficient eligible homes, and to help maintain a viable number of installers, EECA are seeking your:
- Approval** to include Deprivation Index 7 areas for insulation eligibility (under the existing conditions), at a grant rate of 80%, from 1 August 2023.
 - Approval** to increase the grant rate for insulation installs for Deprivation Index areas 9 & 10 from 80% to 90%, from 1 August 2023.

Table 1: Summary of current (grey) and proposed (green) insulation grant levels

Deprivation Index (DI)	Current insulation grant level	Current average cost to homeowner	Proposed insulation grant level	Proposed average cost to homeowner
DI areas 9 and 10	80%	\$720	90%	\$360
DI area 8	80%	\$720	80% (unchanged)	\$720 (unchanged)

DI area 7	Nil <i>(Not currently eligible)</i>	\$3,600 <i>(Average value of WKH insulation retrofit - should be considered the average cost with no grant)</i>	80%	\$720
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17. EECA has considered a range of different changes to eligibility and grant rates to increase the uptake of heating and insulation retrofits, and this proposal is considered the best option with minimal unintended consequences.
18. Increasing the Warmer Kiwi Homes insulation grant to 90% would help to reduce the cost barrier, halving the average cost to recipients to \$360. This has previously proven to be an effective intervention i.e., when WKH grant levels were increased to 90% in response to COVID-19, uptake increased significantly.
19. Increasing grant levels to 90% would also allow third-party funding to go twice as far. In some areas, third parties provide philanthropic funding to cover the final 20% of the retrofit cost, making the retrofit free for the recipient. Up to a total of \$4M per year of philanthropic funding is provided in this way. If grant levels increased to 90%, third parties would only need to cover 10% of the cost in order to make the retrofit free for the recipient. This would double the number of free retrofits available, which is also expected to increase uptake.
20. Furthermore, a number of the larger service providers have advised that, should the grant rate increase to 90%, they will discount their standard install cost by 10% to effectively provide a zero-cost co-investment to eligible homeowners. Their rationale is based on the cost of finding eligible and willing homeowners is getting higher and higher (in time and associated cost) and so this cost can be more than defrayed by providing the discount. Should this offer appear in the market from contracted service providers, EECA will do all it can to ensure this is not “clawed back” in future price adjustments.
21. Expanding the programme’s eligibility criteria to include DI 7 homes is a second means of increasing the number of homeowners who could access the programme. DI 7 is the natural next group to expand to, as the next most in-need, and contains up to 58,000 potentially eligible homeowners.
22. Increasing the grant levels to 90% for DI areas 9 and 10 homes at the same time as expanding to include DI 7 homes helps to focus service providers on continuing to deliver to those high DI areas, who are most in need, while also increasing the pool of eligible recipients.
23. The financial ramifications of this adjustment are summarised below and indicate the increased grant rates (under the assumed split between insulation and heating) will reduce the number of installs able to be achieved by approximately 900. The additional budget support in 2023 should allow us to make up the number to the 2023/24 targeted number of 26,500.

Table 2: Current Hypothetical 2023/24 Delivery Scenario (grey); and proposed more realistic 2023/24 delivery with new eligibility and grant levels (green).

	<i>Current Scenario: Hypothetical 2023/24 delivery with current WKH settings</i>		<i>Proposed Scenario: More realistic 2023/24 delivery scenario, with new eligibility and grant levels</i>	
	Amount of funding – assumed split	Current hypothetical number of retrofits possible with this funding	Amount of funding	Proposed number of retrofits possible with this funding
Insulation	\$55,000,000	19,100	\$55,000,000 (unchanged) (Breakdown: DI areas 9 and 10 \$36,880,000 DI area 7 and 8 \$18,120,000)	18,200 (Breakdown: DI areas 9 and 10 12,000 DI area 7 and 8 6,200)
Heating	\$20,000,000	8333	\$20,000,000 (unchanged)	8333 (unchanged)
Total	\$75,000,000	27,433	\$75,000,000 (unchanged)	26,533

24. We note that in early 2020 EECA presented you with a proposal to make homes in deprivation index area 7 eligible for WKH grant support, but this was withdrawn when the grant rate was increased to 90% in deprivation index areas 8,9 & 10 under the COVID-19 response initiatives.

Update on amendments for exceptional circumstances

25. On 31 March 2023, EECA briefed you on recommendations for amendments to Warmer Kiwi Homes funding settings in exceptional circumstances (EECA BRF 2023 008). In that briefing you approved EECA to increase co-funding from 80% to 100% for all referrals from Te Whatu Ora's Healthy Homes Initiative (HHI) that meet the WKH eligibility.
26. That briefing also considered the prospect of EECA offering Warmer Kiwi Homes grants at a rate of 100% to assist previously-funded households with uninsured homes that have incurred damage as a result of Cyclone Gabrielle or other recent extreme weather events. It is recommended that this proposal is no longer pursued. EECA will instead manage any applications on a case-by-case basis, applying flexibility where appropriate.

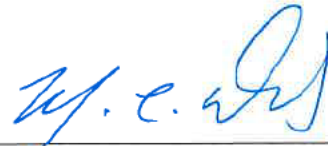
Recommended actions

The EECA Board recommends you:

- a. **Approve**, from 1 August 2023, Deprivation Index 7 be included for insulation eligibility (under the existing conditions) for the Warmer Kiwi Homes Programme at a grant rate of 80%. **Approve** / Disapprove
- b. **Approve**, from 1 August 2023, Deprivation Index areas 9 & 10 have the grant rate for insulation installs increased from 80% - 90%. **Approve** / Disapprove
- c. **Note** that EECA no longer plans to pursue offering WKH grants at a rate of 100% to previous recipients whose properties were uninsured and impacted by extreme weather events, such as Cyclone Gabrielle. EECA will instead manage any applications on a case-by-case basis, applying flexibility where appropriate.



Andrew Caseley
CHIEF EXECUTIVE
16/06/2023



Hon Dr Megan Woods
MINISTER OF ENERGY AND
RESOURCES
21/06/23

To: Hon Dr Megan Woods
MINISTER OF ENERGY AND RESOURCES

Title of briefing	Warmer Kiwi Homes - Programme design update of Budget 23 initiatives
Date	3/10/2023
EECA reference number	EECA 2023 BRF 018

EECA contacts

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Principal Author	Melanie Joan Lloyd	-	03 365 6648	

Purpose

1. This briefing provides an update on progress of the expanded Warmer Kiwi Homes (WKH) programme design, covering the five new programme components funded under Budget 2023.

Key messages

2. Through Budget 2023, the Government provided \$402.6 million to extend the existing Warmer Kiwi Homes programme by four years and expand its range of product offerings.
3. Five new programme components were added under the extension of the Warmer Kiwi Homes programme:
 - a. a market-wide LED lighting initiative,
 - b. low-cost energy efficiency household upgrades,
 - c. household hot water efficiency improvements,
 - d. basic home repairs, and
 - e. a targeted outreach programme to engage hard-to-reach households.
4. EECA is currently undertaking design work for the new programme components. We will brief you on the final detailed programme design prior to launching the new components. A timeline for anticipated launch and delivery is provided in **Appendix One**.

Background

5. The existing WKH programme provides between 80-90% grant funding for ceiling and underfloor insulation and heating retrofits in targeted low-income households. Since the programme's inception in 2018, it has delivered 120,000 insulation or heating retrofits across Aotearoa.
6. An independent study of the WKH programme in 2022 found that programme recipients reported an overwhelming increase in comfort and satisfaction with their home, reduced their electricity use by 16% over the winter months, spent less on power bills, and had a reduced risk of respiratory illness and fewer doctor's visits and hospitalisations, saving an estimated \$15 million a year in avoided health costs. Motu reported a benefit cost ratio of 4.36 from a wellbeing and energy benefit perspective, or a benefit cost ratio of 1.89 from health and energy perspective.
7. The WKH programme received an additional budget allocation of \$402.6 million in Budget 2023. This extended the existing programme by four years, to June 2027, and added five new components to the programme. The new investments are targeted at reducing household electricity consumption, reduce peak demand, reduce emissions, and help with the cost of living through lower electricity bills.
8. The five new components and their indicative allocated funding is laid out below:

New component of WKH	2023/24	2024/25	2025/26	2026/27
LED lighting	\$2.25m	\$4.5m	\$4.5m	\$4.5m
Low-cost energy efficiency measures	\$3.54m	\$7.06m	\$7.06m	\$7.06m
Hot water efficiency improvements	\$3.75m	\$7.5m	\$15m	\$30m
Basic home repairs	\$0	\$5m	\$10m	\$10m
Hard to reach households	\$1.28m	\$2.56m	\$3.84m	\$3.84m

Programme design

Component one: LED lighting

9. This component reduces the upfront cost of LED light bulbs and is expected to enable the purchase of three million LED bulbs over four years. The initial focus will be on 'A-shaped' lamps as these represent over 80% of incandescent lamps currently sold in New Zealand. If budget and time remain once A-shaped lamps sales are trending towards zero, we will include other types of lamp (R80, GU10, MR16 etc).
10. The current sale cost of a single LED bulb ranges between \$6.50 to \$12. With the subsidy, the sale cost is likely to be reduced to a standard cost of \$2 a bulb for all brands.

11. Funding support is likely to be structured via direct payments to suppliers and retailers:
 - a. Supplier payment – bulbs will be ordered in bulk from suppliers and sent to the distribution centres of retailers.
 - b. Retail payment – retailers will receive a payment reflecting the mark-up they are currently earning on bulbs, over and above the \$2 purchase price.
 - c. Customers – at point of purchase, customers will pay \$2 to the retailer.
12. The major suppliers (Signify/Philips, Osram, GE) and retailers (Foodstuffs, Countdown, Bunnings, Mitre10, Warehouse Group) have been actively engaged throughout the design process and are comfortable with our proposed approach.
13. A Request for Proposals is planned to be launched in early 2024 to obtain bulb suppliers and gather retailers to sell the bulbs at the set price. The current plan is to roll the programme out progressively on a regional basis, to test our delivery approach and mitigate any logistical issues at this stage of the roll out. We will use the RfP process to identify and resolve any potential logistical issues with suppliers and retailers.

Indicative timeline:



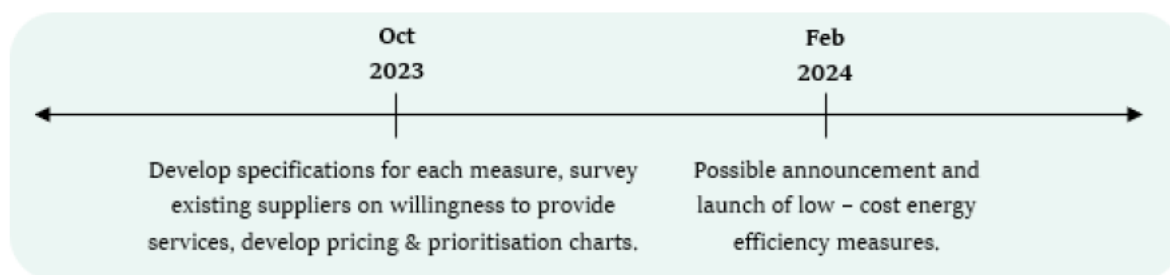
Component two: Low-cost energy efficiency measures

14. This component funds low-cost energy efficiency measures over and above existing Warmer Kiwi Homes interventions. Measures include:
 - a. **LED lamps** that replace ‘A-shape’ globe-style lamps with bayonet and screw fitting.
 - b. **IC-F rated LED luminaires** to replace recessed light fittings and halogen downlights (these allow ceiling insulation to fully cover over the light fitting).
 - c. **Efficient showerheads.**
 - d. **Hot water cylinder wraps.**
 - e. **Hot water pipe lagging/insulation.**
 - f. **Advice on energy efficiency behaviours and switching to lower-cost electricity plans.**
15. We have allocated an average of \$400 per home for these measures, with a cap of \$1000 per home. A schedule of rates will be set for the supply and install of each measure.
16. We are developing a flowchart to guide suppliers to prioritise the most impactful measures first. For example, if a house is to be insulated, then replacing all recessed lights and halogen downlights with IC-F rated LED luminaires will be prioritised as that will maximise the benefits of the insulation. These

measures will be offered free of charge to every home visited for a WKH assessment and either fitted during that assessment, or when the insulation/heating retrofit occurs.

17. Homeowners who apply via our existing online eligibility tool will have their home assessed. We expect existing WKH insulation and heating suppliers will provide these measures, as several of the larger suppliers already offer these measures in addition to their WKH retrofits. Where gaps in geographic coverage emerge, we may seek additional suppliers or other innovative routes to market.

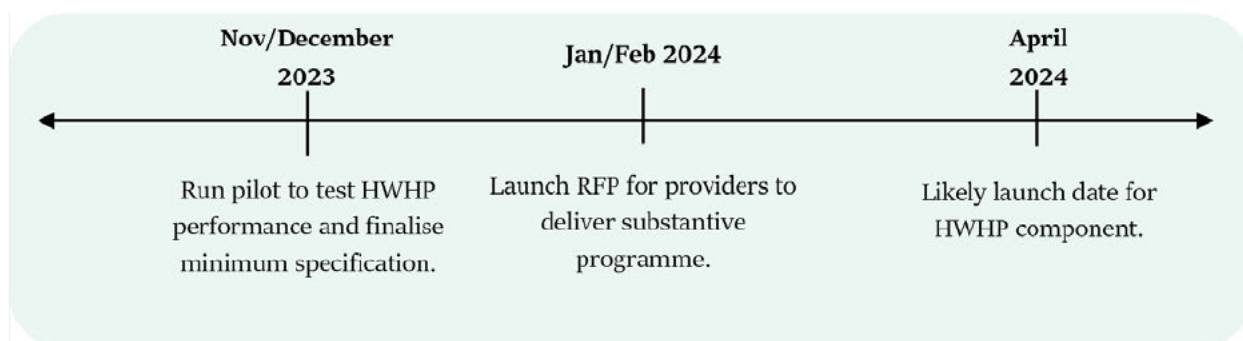
Indicative timeline:



Component three: Hot water efficiency improvements

18. This component adds hot water heat pump (HWHP) installations to the range of WKH product offerings. We are currently developing the minimum technical specification for HWHPs and have so far identified ten models that are expected to meet our requirements (to have a Global Warming Potential no greater than that of a R-32 refrigerant).
19. The next step is to undertake procurement in November 2023 for a pilot. This pilot will test the real-world performance of existing models, as well as methods of monitoring HWHP performance, so we can select the most appropriate monitoring regime for the substantive programme roll out.
20. The substantive programme will start by offering HWHPs to houses with at least five occupants, until we have more data on performance and savings that might mean lower occupancy can still give significant benefits. HWHP systems will be 100% grant funded and we expect to add this to the existing WKH eligibility tool.

Indicative timeline:

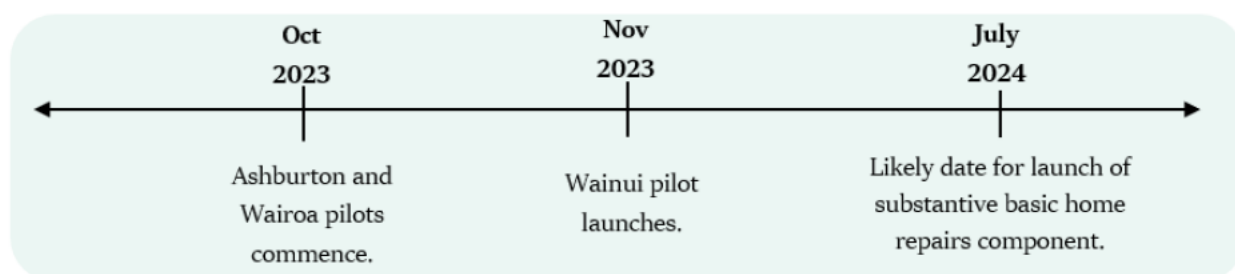


Component four: Basic home repairs

21. This component provides basic home repairs to get homes up to the standard necessary to receive WKH retrofits. As a first step, we are already offering two simple and affordable measures. The measures are:

- a. **Establishing a roof access point** to allow ceiling insulation to be installed.
 - b. **Providing an earth stake** so homes can have a suitable earthing point, required to install a heat pump.
22. WKH Service Providers will offer these repairs, for under \$500 per home. For any works over \$500, EECA will need to grant pre-approval before work begins. EECA is taking a risk averse approach as this component is at the early stages. We intend to modify the programme once we have learnt more about any associated risks.
 23. Two pilots are operating in Northland and Dunedin to help us develop a more complete list of essential basic home repairs, and a typical schedule of costs. We are developing further pilots for Wainuiomata, Ashburton and Wairoa, working with organisations such as Tauanui, Tātau Tātau o Te Wairoa Trust, and Aukaha.
 24. In Dunedin the cost of basic repairs, aimed at weathertightness and the thermal envelope, is averaging \$4,600 per home. In Northland, homes have required critical repairs costing tens of thousands of dollars each. For the pilot, our funding has been capped at \$30,000 per home and where costs have exceeded that cap, other funders, such as Te Puni Kōkiri, have contributed to a stacked funding model. We are working with Te Pae Roa in Northland on how we can target homes that need less extensive repairs to make our budget go further.
 25. We expect to add new items to the schedule of standard works and costs regularly over the course of the pilots and aim to have a comprehensive schedule of allowable repairs and costs by July 2024.

Indicative timeline:



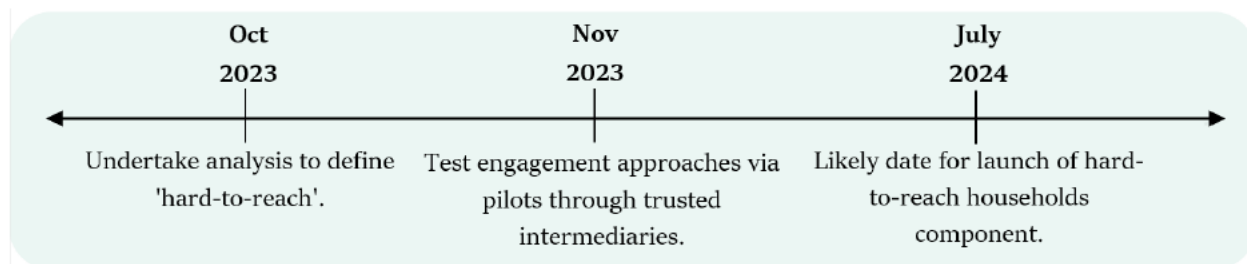
Component five: Hard to reach households

26. This component funds community-focused outreach to better target high-need and hard-to-reach households. Hard-to-reach households are households the programme has previously struggled to reach for reasons including homeowners' distrust of government intervention or refusal to allow service providers to enter their homes. Reaching these households involves geographical targeting of areas and communities known to contain hard-to-reach homes.
27. We are using the existing basic home repair pilots to test different engagement models and determine the best way to engage hard-to-reach households. As a first step we will work with a small number of high-priority communities but expand that number as the work progresses and more staff are brought on board to manage the workflow.
28. At this stage, EECA has identified around 18,000 homes in deprivation zones 9&10 that may fall within scope of this component. We are identifying characteristics of these homeowners in order to determine what intermediaries we want to use to engage them. Examples include Iwi, churches,

charitable trusts, and community support groups. We plan to develop this thinking further and discuss engagement approaches with our partners in each pilot over the coming months.

29. Engagement models may include using various “trusted intermediary” organisations to reach different parts of the community (Wainuiomata, Wairoa, Northland, Dunedin), holding energy efficiency expos (Ashburton), and potentially advertising campaigns and strategic partnerships (e.g., with major, local retailers in a target area, including The Warehouse Group, Foodstuffs, Woolworths and DIY retailers).

Indicative timeline:



Indicative timeframes

30. Refer to the table in **Appendix One** for the indicative timeframes for each component.

Recommended actions

We recommend that you:

- a. **Note** that EECA is currently undertaking programme design for the Warmer Kiwi Homes programme expansion funded through Budget 2023 to:
 - i. enable the purchase and installation of around three million LED bulbs over four years.
 - ii. provide low-cost energy efficiency measures to households where required.
 - iii. carry out hot water efficiency improvements for hot water heat pumps.
 - iv. implement basic home repairs that currently prevent homes from receiving a retrofit.
 - v. develop a community outreach programme for hard-to-reach households.
- b. **Note** that EECA will update you on the results of the pilot for Component Three: Hot water efficiency improvements in February 2024.
- c. **Note** that EECA will update you on Component Four once we have developed a comprehensive list of basic home repairs.

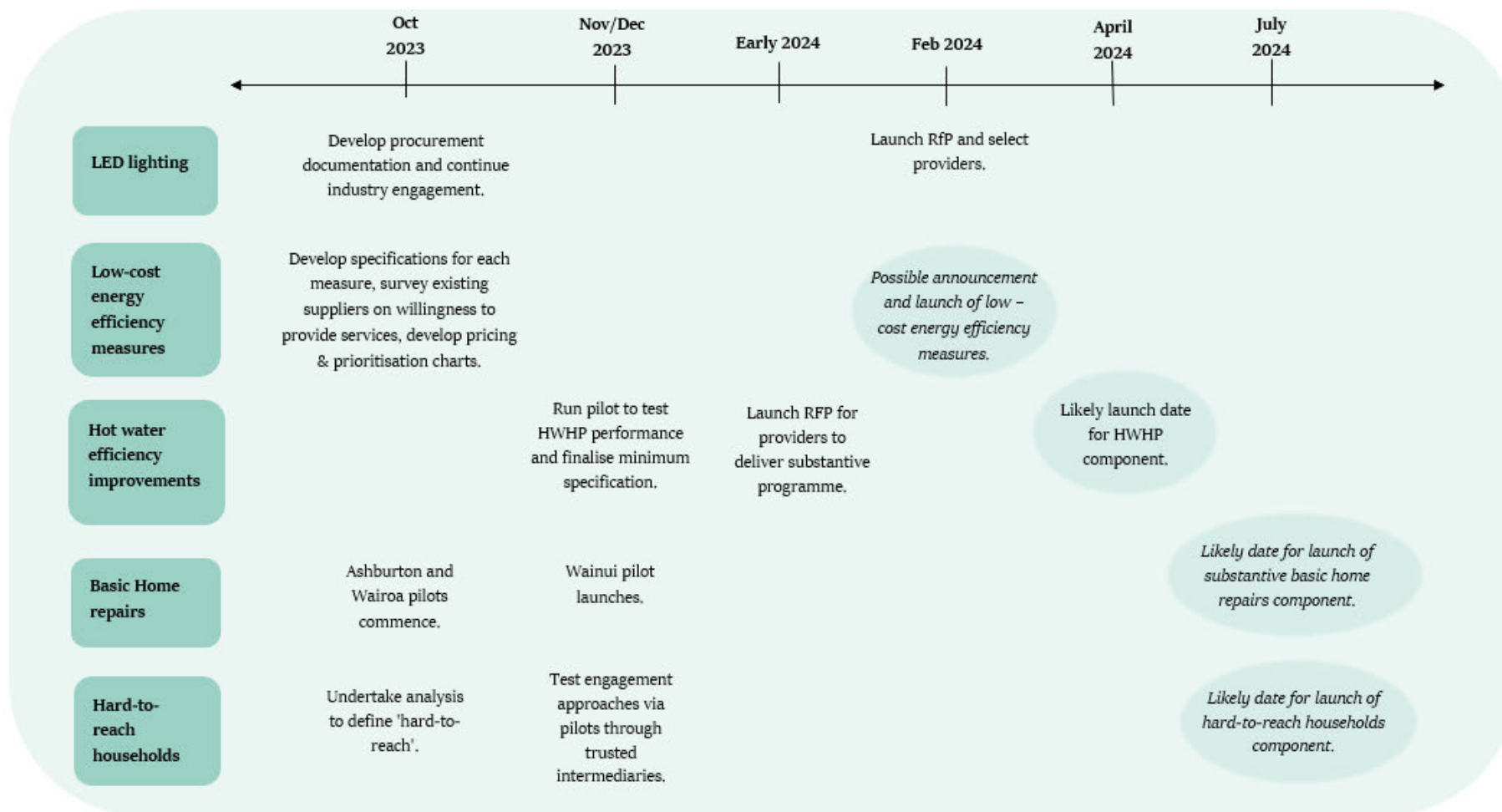


Dr Marcos Pelenur
CHIEF EXECUTIVE, EECA
3/10/2023

Hon Dr Megan Woods
**MINISTER OF ENERGY AND
RESOURCES**
--/ --/ --

Appendix One: Indicative timeframes

Refer to the table below for the indicative timeframes for each component:



To: Hon Simeon Brown
MINISTER FOR ENERGY

Title of briefing	Warmer Kiwi Homes Programme Targeting		
Date	20/09/2024		
EECA reference number	EECA 2024 BRF 009	Response required by:	04 October 2024

EECA contacts

Position	Name	Mobile Number	Work Number	1 st Contact
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Responsible manager	Will Jensen	9(2)(a)	04 470 2441	
Principal author	Melanie Joan Lloyd		03 365 6648	

Purpose

In your Letter of Expectations, you asked us to ‘deliver the Warmer Kiwi Homes Programme in a way that better targets households to ensure that the funds allocated are being used to benefit the households with the greatest needs’.

The purpose of this briefing is to discuss the current programme settings and outline the administratively efficient, low-cost actions we are taking to better target households with the greatest needs.

Key messages

- We are exploring low-cost, administratively efficient ways to better target the programme. Work is underway to develop a customised WKH Deprivation Index to better target homeowners in need. Efforts are being made to refine community partnerships to improve programme reach.

- The current programme settings strike a balance between targeting those most in need and maintaining cost-effectiveness and administrative efficiency.
- While a highly targeted approach could ensure grants only reach those in greatest need, cost-analysis shows it would significantly increase delivery costs, reducing the funding available for installations and reduce the viability of an efficient delivery model.

Recommended actions

- a. **Note** we are exploring low cost and administratively efficient ways to improve the current approach.
- b. **Discuss** EECA's approach to targeting the Warmer Kiwi Homes programme at your next meeting with EECA officials.



Dr Marcos Pelenur
CHIEF EXECUTIVE, EECA

--/--/--



Hon Simeon Brown
MINISTER FOR ENERGY

06/10/2024

Benefits of the Warmer Kiwi Homes Programme

1. The Warmer Kiwi Homes programme provides insulation and efficient heating retrofits to low-income homeowner-occupiers. The programme delivers warmer, drier, energy efficient homes and supports positive health and social outcomes.
2. An independent evaluation of the programme showed that the programme achieves a 16% reduction in household electricity use over winter months and consistently demonstrates strong value for money with a benefit-cost ratio of 4:1. This includes an estimated \$15 million per year saved in avoided health costs and supports downward pressure on hospital wait times.
3. The programme consistently delivers on the target of 26,000 retrofits per annum and over 150,000 installations have been achieved since the programme began in 2018. EECA has delivered insulation and heating retrofit programmes since 2009, with over 510,000 installations delivered in total. We estimate there are up to 80,000 eligible homes remaining that would require home heating and insulation. There may be more, but they will be increasingly harder to reach.

Current programme settings allow for efficient and cost-effective programme administration

4. The eligibility criteria for the programme have been refined over time to allow for efficient programme administration, achieve cost savings, and minimise barriers for applicants. This balance of simplicity and appropriate targeting ensures the programme continues to deliver a high benefit-cost ratio.

The programme is designed to easily and efficiently identify those in greatest need

5. Two administratively efficient methods are used to identify low-income homeowners; the NZ Deprivation Index and Community Services Cards (CSC). Homeowner-occupier households need to meet at least one of these requirements.
6. The NZ Deprivation Index is a straightforward means to identify areas of concentrated need. The NZ Deprivation Index uses Stats NZ data to identify 'meshblocks' of around 60-110 households that are statistically likely to experience socioeconomic deprivation. These are determined through several census data variables such as income, unemployment, housing conditions, and bedroom occupancy thresholds. People living in high deprivation areas are more likely to have worse health and to struggle with affording quality housing, heating, or insulation. While meshblocks are administratively efficient, situations may arise where an individual household within a high deprivation meshblock is not low-income. This can lead to perception issues, particularly where neighbouring households are in different meshblocks.

7. The CSC is a broadly recognised government tool for identifying and providing assistance to lower-income families and individuals. Recipients are income-tested and thresholds consider a range of factors including number of dependents, age and marital status. The process does not take into account cardholders' asset wealth or trusts. However, using CSCs means EECA does not need to investigate the financial status of programme applicants further.

Further ways we target the programme towards those in greatest need

8. Referrals are received through the Healthy Homes Initiative (HHI), administered by Te Whatu Ora. HHI is an outreach channel established in 2013 to reduce the number of housing-related hospitalisations.. HHI targets at risk families who present with symptoms that would indicate poor housing as being a contributor to the illness. Those eligible include low-income families with children at risk of rheumatic fever, pregnant people, low-income families with children aged 0-5 who have been hospitalised with a specialised housing related condition, and families with children between 0-5 for whom a least two of the social risk investment risk factors apply. Those referred must also have a CSC or live in a high deprivation area. Approximately 1.5% of the installations completed in 2023/24 were from HHI referrals.
9. The programme is geographically targeted towards those in high deprivation meshblocks. This is advantageous for the programme for several reasons: installations are cheaper due to bulk purchase power, service providers have reliable business in meshblocks, community groups and third-party funders are available to support in these regions, and marketing can be targeted to the relevant audience.

Current settings minimise red tape and barriers for applicants to access support

10. The simplicity of current settings minimise the administrative burden for applicants. The online eligibility tool, www.warmerkiwihomes.govt.nz is straightforward and easy for applicants to complete. A number of households in the target demographic may face challenges engaging with government support, such as whakamā (feeling ashamed) or distrust of government. A more burdensome application process would likely deter a number of households from applying.

EECA is exploring low-cost and administratively efficient avenues to better target the programme

11. EECA has been exploring avenues to better target the programme in response to your Letter of Expectations, in particular:
 - a. the development of a customised WKH Deprivation Index
 - b. refining our community partnerships approach.

Development of a customised WKH Deprivation Index

12. We are looking into developing a customised WKH Deprivation Index to use in place of the NZ Deprivation Index.
13. The NZ Deprivation Index currently includes both homeowners and renters in its measure of deprivation. A customised WKH Deprivation Index would remove renters from the data and rank meshblocks based on the deprivation level of homeowners only. This would provide a better indication of homeowner deprivation levels.
14. We have been engaging with the University of Otago, who calculate the NZ Deprivation Index from Stats NZ data, to explore the possibility of developing this new dataset using Census 2023 data. This work can proceed once the Census 2023 data becomes fully available in November and will not require additional funding.
15. Our early analysis indicates a customised WKH Deprivation Index would improve targeting by around 10%. Under the customised approach, approximately 10% of the currently eligible geographic areas would move to ineligible, while 10% of areas not currently eligible would change to being eligible. This customised approach would have the benefit of improving programme targeting while retaining the administrative efficiency and cost-effectiveness of the current approach.

Refining our community partnerships approach

16. EECA engages with community groups to increase programme outreach. We are now exploring ways to refine this approach to improve programme engagement in areas of identified concentrated need.
17. We have been mapping areas of low programme engagement to target. All applicants must still qualify for grants either through having a CSC or by living in a high deprivation area. Partnering with trusted community groups is an effective way to enable those in greatest need to overcome barriers of whakamā (feeling ashamed) or distrust of Government, understand programme benefits, and bring them into the programme.
18. We are also exploring the effectiveness of taking a joined-up approach with our sector engagement teams to engage workers of medium to large businesses in the programme. This involves leveraging our existing connections with businesses to encourage their workers to apply for the Warmer Kiwi Homes programme, integrating the offering into their existing wellness programmes, and would be implemented at no additional cost.

Cost analysis of taking a highly targeted approach

19. Cost-analysis shows while a highly targeted approach could better target those in need, it would significantly increase costs due to higher administration costs, reduce overall impact of the programme with lower number of installations, reduce the viability of an efficient delivery model, and present challenges verifying income.

Table 1: summary of cost-analysis of highly targeted approach

Metric	Current approach	Highly targeted	Overall impact
Cost per retrofit	\$3,000	\$4,500	50% cost increase
Number of retrofits	26,000	18,000	31% decrease

Option of removing the NZ Deprivation Index from eligibility criteria

20. Although this would refine programme targeting, removing the NZ Deprivation Index, or the proposed WKH Deprivation Index, from eligibility criteria and using CSCs alone would have significant impact on programme viability and ability to reach households in need. The number of installations would reduce significantly, as around 65% of grant recipients do not have a CSC. This decrease in eligible recipients would reduce reliable demand for service providers and New Zealand manufacturers. The result would be in an increase in the cost of the product and overheads to administer. It would also mean we would no longer be able to take a geographic approach to targeting households, as CSC holders are invisible to all except MSD, who cannot share personal data due to privacy, and the holder of the card.

Targeting low-income households without using CSC or NZ Deprivation Index

21. We looked into how we could target the programme towards low-income homeowners without using CSCs or the NZ Deprivation Index. Under this highly targeted approach we would contract community organisations to find households in need and assess each household. The cost analysis is based off home heating, insulation and home repair pilots administered by EECA on behalf of Crown Infrastructure Partners. Although these pilots were effective, it is complex and costly to implement at a larger scale.

Impact on value for money

22. Under current programme settings the average cost per retrofit is \$3,000. The analysis shows that there could be up to a 50% increase in costs per retrofit under a highly targeted approach at an estimated \$4,500 per retrofit. The additional cost is due to the estimated cost for contracting trusted community intermediaries to find and assess prospective households.
23. This would provide a significantly lower return on investment, and it is anticipated the costs would outweigh the costs of installations occurring in households that could otherwise afford them. Although the Warmer Kiwi Homes programme is targeted at low-income households, the programme benefits remain regardless of the circumstances of each household.

Lower number of installations

24. Given the increase in cost per retrofit, we would only be able to carry out 18,000 installations for the same budget under a highly targeted model. This is an estimated 33% reduction in annual retrofits.

Reduction of the viability of an efficient delivery model

25. A lower number of installations would negatively impact service providers' business. For many installers, Warmer Kiwi Home retrofits make up a significant portion of their business, and they depend on having a steady pipeline of work to remain viable. We estimate that around 700 to 1,000 jobs are directly or indirectly reliant on the WKH programme. Insulation offered under the programme is also manufactured in New Zealand by local companies. The current volume of installations in high deprivation areas means there is reliable demand for both service providers and New Zealand manufacturers.

Challenges verifying household income

26. Determining household income levels would remain a challenge. Testing income, whether through examining bank statements, payslips, or employment history, would be administratively burdensome and require additional EECA staff and expertise. It would also require different skillsets within the service provider network to analyse individual applications. Additional customer support would also be necessary to assist applicants throughout the process. Moreover, defining what constitutes low income falls outside EECA's remit and is better handled by specialised agencies, such as the Ministry for Social Development.

Next Steps

27. We will continue working with the University of Otago to develop a customised WKH Deprivation Index using Census 2023 data to identify more accurate areas of concentrated need.
28. We will continue refining our community partnerships in known areas of concentrated need to increase programme engagement.
29. EECA will also investigate the effectiveness of a joined-up approach with our sector engagement teams, leverage existing connections with medium to large businesses to engage their workers in the programme.
30. As these approaches are progressed and implemented, we will monitor and evaluate their effectiveness and continue to keep you updated.
31. We will discuss our approach to targeting the Warmer Kiwi Homes programme at your next meeting with EECA officials.