THERMAL INSULATION – UK – 2023

Despite current market challenges, the decarbonisation drive will support sustained growth in the thermal insulation market.

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MINTEL

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This report looks at the following areas:

- Analysis of the size of the market and forecast for the next five years
- How government policies and initiatives are shaping demand for thermal insulation
- How the sustainability drive is shaping innovation and product development
- Current insulation levels of UK housing stock and remaining potential
- Key market drivers in the new build and retro-fit sectors

> Despite current market challenges, the decarbonisation drive will support sustained growth in the thermal insulation market.

Overview

The recent buoyancy in thermal insulation demand in the private housing RMI sector is now strongly challenged by the fuel cost inflation pressure. However, soaring energy costs also provide a positive impetus for thermal insulation demand, especially more affordable measures, as homeowners look for ways to reduce their heating costs.

Report Content

Key issues covered in this Report

- Overview

EXECUTIVE SUMMARY

Opportunities for the thermal insulation market

- Future Homes Standard to boost demand for building thermal insulation
- Well-insulated homes increase heat pump efficiency
- Decarbonisation drive requires significant scale-up of retrofit activity
- Contractors can offer more personalised, multi-measure advice on home energy efficiency improvement

Market dynamics and outlook

- The five-year outlook for thermal insulation
- Market size and forecast

  - Graph 1: thermal insulation market size and forecast, 2018-27
- Market conditions have turned more challenging amid deteriorating economic conditions
- Market growth to be curtailed by slowdown in housebuilding activity in the near-term
- Sustainability and ease of installation drive innovation
- Increased focus on fire safety issues

MARKET DYNAMICS

Market size

- Thermal insulation market size

  - Graph 2: thermal insulation market value, 2018-22
- Building insulation dominates thermal insulation market
- Thermal insulation market up by an estimated 4% in 2022
- Efforts to reduce building carbon emissions present key driver for demand
- Cuts to government schemes result in fall in retro-fit installations over last decade
- Slow progress in insulating UK buildings
- Thermal insulation industry battles with high costs
- Insulation materials price indices

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- Significant investment in skills and jobs required

Market segmentation

- Building thermal insulation market
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- Payback periods of different types of insulation vary widely
- Cavity wall insulation market
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- Types of cavity wall insulation
- Cost of cavity wall insulation and average energy bill savings
- Loft insulation market
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- Cost of loft insulation and average energy bill savings
- Majority of loft insulation is mineral and glass wool produced in blanket rolls
- Introduction of minimum efficiency standards to drive further uptake of loft insulation
- Draught-proofing market
  - Graph 7: draught-proofing market value, 2018-22
- Residential sector accounts for 65% of draught proofing market
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- Roof insulation sector benefits from increased demand for loft conversions
- Pitched roofing accounts for largest element of roof insulation
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- Mineral wool commands largest share of industrial thermal insulation market
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Market forecast

- Market forecast
  - Graph 17: thermal insulation market forecast, 2022-27
- Market forecast
- Building thermal insulation market forecast
  - Graph 18: building thermal insulation market forecast, by type, 2023-27
- More challenging market conditions ahead amid construction slowdown
- Thermal insulation demand to be boosted by Future Homes Standard 2025
- Move to heat pumps will bolster thermal insulation demand in the longer term
- Retro-fit activity needs to ramp up significantly to progress towards Net Zero
- Long-term government support and incentives required

Market trends

- Sustainability drive
- Focus on Whole Life Carbon
- Efforts by manufacturers to reduce the carbon footprint of products
- Efforts by manufacturers to reduce the carbon footprint of products
- UK market for natural insulation materials still in its infancy
- Innovative, tech-based solutions enable more efficient and less disruptive insulation installation
- Q-Bot robotic underfloor insulation
- Increased focus on fire safety issues
- More customised advice on home energy efficiency

Supply sources

- UK production of thermal insulation materials
- Rock wool, slag wool and similar mineral wools show the strongest growth in UK output
- Rock wool, slag wool and similar mineral wools, as well as glass fibre dominate UK thermal insulation production
  - Graph 19: production of selected thermal insulation materials, by material, 2021
- Higher input costs lead to price hikes
- Investments at UK insulation material manufacturing plants
- Trends in imports

- Imports show strong growth in 2022
- Trends in exports

Structure of distribution network

- A diverse distribution network
- Rise in omnichannel services
- Majority of building insulation sales pass through insulation distributors
- Insulation specialists are main distribution channel for industrial thermal insulation

Macroeconomic factors

- Inflation expected to ease in 2023
- Interest rate increases hit mortgage-holders
- Rising interest rates are hitting the property market
- High inflation and rising interest rates compound the impact of the slowing economic recovery
- Consumer spending power will be curbed
- Low unemployment is helping underpin consumers' financial wellbeing
- Consumers' financial wellbeing has fallen from the highs of 2021…

REGULATORY AND LEGISLATIVE ENVIRONMENT

Building regulations

- Thermal insulation mainly affected by Part L of Building Regulations
- Thermal insulation mainly affected by Part L of Building Regulations
- Part L Changes 2022
- Future Homes Standard
- Ban on combustible material on high-rise homes
- Ban on combustible material on high-rise homes

Government policy on reaching Net Zero by 2050

- Net Zero target
- Carbon budgets
- Net Zero Strategy and other policy documents

Government initiatives to help decarbonise housing stock

- Energy company obligation schemes
- Four phases of ECO
- Installed ECO measures fall over time

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- ECO4 (2022-26)
- Challenges to delivering ECO4

- Great British Insulation Scheme
- MEES energy efficiency regulations
- New funding to help decarbonise housing stock and public buildings
- Government funding for the development of green finance products
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- Firmer policies needed to deliver proposed plans on raising home energy efficiency standards

MARKET DRIVERS

Housing stock characteristics

- Number of UK households
  - Graph 21: number of households, 1991-2022
- Household projections
- Housing stock analysis, by type
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  - Graph 23: housing stock distribution in England, by age, 2021
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- Age of housing stock in Scotland
  - Graph 24: housing stock distribution in Scotland, by age, 2021

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  - Graph 25: energy efficiency rating bands of English dwellings, by tenure, 2021
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- Dwellings in the social rented sector are the most energy-efficient
- Current insulation levels and remaining potential
- Current insulation levels and remaining potential
  - Graph 26: remaining potential to insulate GB housing stock, 2022

Energy company obligation schemes

- Changes to supplier obligation schemes result in lower levels of insulation measures installed in last 10 years
- 9% of households have had a measure installed under ECO scheme
- Key insulation measure installations fall in ECO3
  - Graph 27: key insulation ECO measures installed, by measure type, 2018-22
- Cavity wall insulation most popular ECO insulation measure
  - Graph 28: key insulation ECO measures installed, by measure type, 2013-23

Challenges in de-carbonising the housing stock

- The UK has some of the least energy-efficient housing in Europe
- The scale of the challenge to upgrade existing homes is enormous
- £55 billion of investment in home energy efficiency to 2050

Market drivers for industrial thermal insulation

- Drivers in heating and ventilation sector
- Energy-intensive data centres provide strong demand for air conditioning/coolers
  - Graph 29: data centres market forecast, 2021-26

UK CONSTRUCTION ACTIVITY

UK construction output

- Strong nominal growth in 2022
- Market size for UK construction
  - Graph 30: construction market size, 2017-22

New construction activity

- New construction accounts for 62% of total market
- New construction output
  - Graph 31: new construction market value, 2017-22
- Segmentation of new construction activity
  - Graph 32: segmentation of new construction activity, 2022
- A diverse market

RMI construction activity

- Segmentation of RMI construction activity
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- Private housing sector accounts for around half of RMI activity

Housing construction activity

- Housing construction up 22% in nominal terms in 2022
  - Graph 34: new housebuilding market value, 2017-22
- Housing completions
  - Graph 35: housing completions, 2018-22
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  - Graph 36: segmentation of the new housebuilding market, 2017-22
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- But 2023 sees slowdown in housing construction

- Improving market conditions will take time to filter through to the housing market
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Private commercial construction activity

- Market remained flat in 2022 in real terms
  - Graph 38: new commercial construction market value, 2022-17
- Offices present largest single sector of private commercial construction market
- Outlook for private commercial construction
  - Graph 39: commercial construction market value (fore), 2022-27
- Shift in focus on refits in office and retail sectors

Private industrial construction activity

- Recent activity
- New industrial construction output
  - Graph 40: new industrial construction market value, 2017-22
- Outlook for private industrial construction
- Continued demand for warehouses to support industrial construction activity
- Demand for industrial construction to remain ahead of pre-pandemic levels
  - Graph 41: industrial construction market value (fore), 2022-27

COMPETITIVE LANDSCAPE

Industry structure

- Industry development
- 170 businesses engaged in the manufacture of non-metallic mineral products
- 45 firms involved in the manufacture of glass fibres
- Contracting industry remains highly fragmented
- Larger installers adopt a multi-measure approach
- Significant investment in jobs and skills required
- National Home Decarbonisation Group launched to help scale up retro-fit activity

Company profiles

- Encon Insulation
- Recent performance
- BEWI Insulation & Construction (formerly Jablite)
- Acquisitional activity
- Recent performance
- Kingspan Insulation

APPENDIX

Report scope and definitions

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