

CERT

UPDATE

Issue 1/August 2008

Key facts – CERT quarter one:

- **45 Mt (lifetime) CO₂ achieved against the target (includes carryover)**
- **Nearly all from insulation and lighting**
- **37.8 Mt (lifetime) CO₂ carried over from EEC2**
- **PG activity including carryover stands at 40%**

EEC 2 results finalised, including carryover:

- **All suppliers complied**
- **187 TWh achieved in EEC2**
- **82 TWh in Priority Group**
- **3/4 of savings to target from insulation**
- **Roughly 10% via innovative measures**
- **57 TWh carry over in to CERT**

What is the Carbon Emissions Reduction Target?

The CERT (Carbon Emissions Reduction Target) programme replaced the Energy Efficiency Commitment 2005-2008 (EEC2) as the government's domestic efficiency obligation on energy suppliers from 1st April 2008.

It will run for three years, until 2011. The CERT programme sets an obligation on energy suppliers with 50,000 or more domestic customers to reduce carbon dioxide emissions, by promoting energy efficiency and micro renewables to domestic energy users. The government has set the target at 154 million tonnes (lifetime) of carbon dioxide, which is equivalent to doubling of the level of activity under EEC2. Having a carbon rather than energy target allows suppliers to promote a wider range of innovative measures such as biomass heating and micro renewables, in addition to the standard insulation, lighting, heating and appliances. A carbon dioxide target is also in line with other government climate change abatement

Suppliers have a Priority Group obligation to meet under CERT, set by government at 40 per cent of each supplier's overall obligation. The Priority Group now also includes those aged 70 and over, as well as those in receipt of relevant benefits or tax credits. There is a Priority Group flexibility mechanism to allow suppliers flexibility in how they reach their Priority Group obligation, which will also direct activity to those most likely to be in hard

to treat homes. Suppliers can reach up to 5 per cent of their overall obligation via this route, which involves promoting ground source heat pumps and solid wall insulation in certain specific circumstances, to a subset of the Priority Group. Suppliers will receive an uplift on savings achieved through this route.

There are two types of 'innovative' actions under CERT: market transformation and demonstration. For market transformation, as under EEC2, suppliers will receive a 50 per cent uplift on savings from these measures. Micro CHP and solid wall insulation are specified in the legislation as market transformation action. Any measures new to the programme under EEC2 or CERT are also eligible to be considered as market transformation action. This is to support the transformation of markets for efficient products and help them to become the mainstream choice for consumers, for example A rated cold appliances under EEC2. Suppliers can also meet a proportion of their target through carrying out demonstration projects, to trial new types of measures or customer reactions to information or measures. This mechanism is designed to encourage

innovation by awarding a carbon score based on the level of investment. Demonstration and market transformation together are capped at 6 per cent of a supplier's obligation (or 8 per cent where at least 2 per cent microgeneration is delivered).

CERT facts:

- CERT target is 154 Mt (lifetime) CO₂ (roughly double the EEC2 target)
- Carbon dioxide target allows inclusion of microgeneration measures and biomass heating
- 40% Priority Group obligation
- Priority Group includes those aged 70 and over
- Priority Group flexibility mechanism – uplift for ground source heat pumps and solid wall insulation in hard to treat homes
- Demonstration action – credit given for trials of new measures or consumer reactions

EEC2 results and carry over

The EEC2 programme ended on 31st March 2008, and has been superseded by CERT. All the obligated energy suppliers met their EEC2 targets, achieving 187 TWh of energy savings in total and greatly exceeding the target of 130 TWh. Of this, 82 TWh was achieved through activity in the Priority Group, exceeding the suppliers' Priority Group obligation of 65 TWh. As expected, the majority of the savings were from insulation, with 76 per cent of savings against the EEC2 target coming from insulation measures.

Energy suppliers were able to carry over any savings they had accrued in excess of their EEC2 target into CERT. Suppliers had until the middle of May to submit data to Ofgem on the activity they wished to carry over. This was then extensively checked and converted measure by measure into carbon

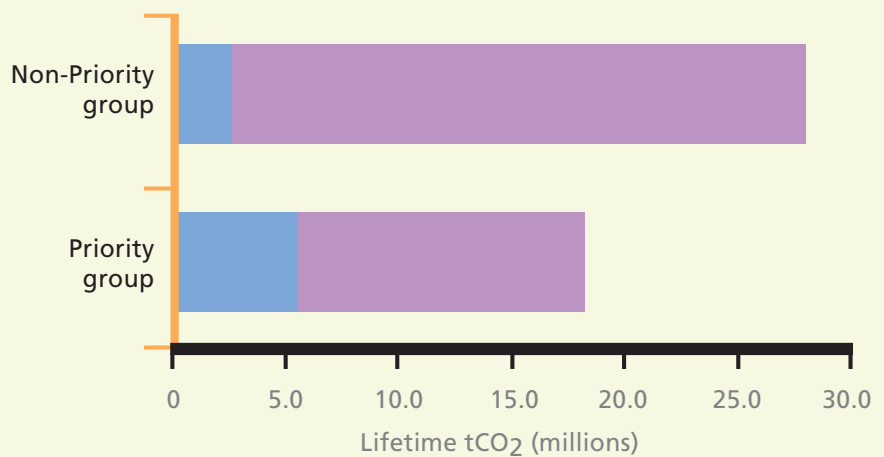
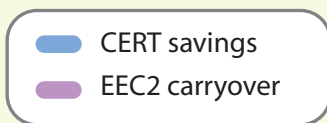
dioxide savings, to be compatible with the CERT target. 37.8 Mt (lifetime) CO₂¹ in total was carried over from EEC2.

Further detailed information on the EEC2 results is available in the document 'A Review of the Energy Efficiency Commitment 2005-2008' available from the Ofgem website www.ofgem.gov.uk

The Energy Efficiency Partnership for Homes held an event covering the government's domestic energy programmes on 1st August. Steve McBurney and Emily Flatt from Ofgem presented the results of EEC2, including the impact and emerging issues. The presentations can be accessed on the Partnership website: <http://www.eeph.org.uk/resource/events/>

CERT Quarter 1 Activity and Carryover

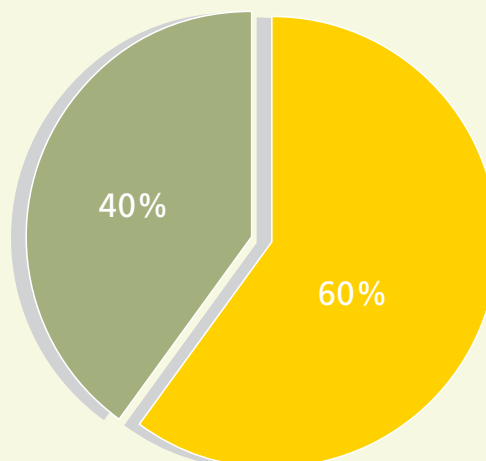
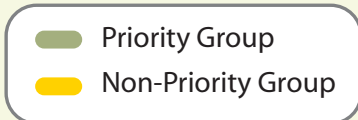
Chart 1: Reduction in carbon emissions in CERT and carryover, delivered to Priority and non-Priority consumers



Of the quarter 1 activity, 67 per cent (the blue bars) was achieved in the Priority Group. Suppliers focused more attention to this group to ensure they made reasonable progress against their Priority Group obligations. In addition, a larger proportion of the carryover savings (the pink bars) were from non-Priority Group activity (66 per cent), so suppliers had already made greater inroads towards the non-Priority target. This is illustrated by **chart 1**.

Currently savings to target (this includes quarter 1 activity and the EEC2 carryover) stand at 45 MtCO₂. Priority Group savings account for 18.2 MtCO₂ of this (40 per cent of suppliers achieved savings). Non-Priority Group savings make up 27.9 MtCO₂ (the remaining 60 per cent). This is illustrated by **charts 1 and 2**.

Chart 2: Priority and non-Priority Group split of savings, including EEC2 carryover



¹ Unless otherwise specified, all references to carbon dioxide are in lifetime tonnes, i.e. the amount that emissions are reduced over the lifetime of the measures, rather than emission reductions over one year.

Chart 3: Total CO₂ savings by measure type including carryover

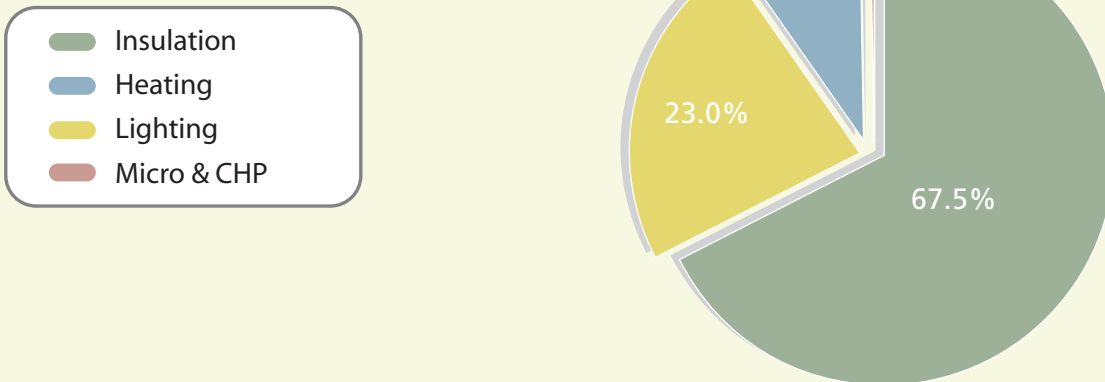


Chart 3 shows a breakdown of the total savings achieved towards the CERT target, including carryover, by measure type. It can be seen that the majority of savings are from insulation measures, with lighting measures accounting for a significant portion of the savings; nearly a quarter. Heating schemes account for a smaller proportion of the savings and most of these have been carried over from EEC2. Standard boiler

replacement schemes are not eligible under CERT as the market for boilers is considered to be largely transformed with little room for additional improvement. It is therefore likely that heating schemes will make up a smaller proportion of overall savings under CERT than EEC2. This difference in measures between the carryover and CERT activity is illustrated by **chart 4**.

Chart 4: Comparison of savings excluding and including EEC2 carryover broken down by measure type

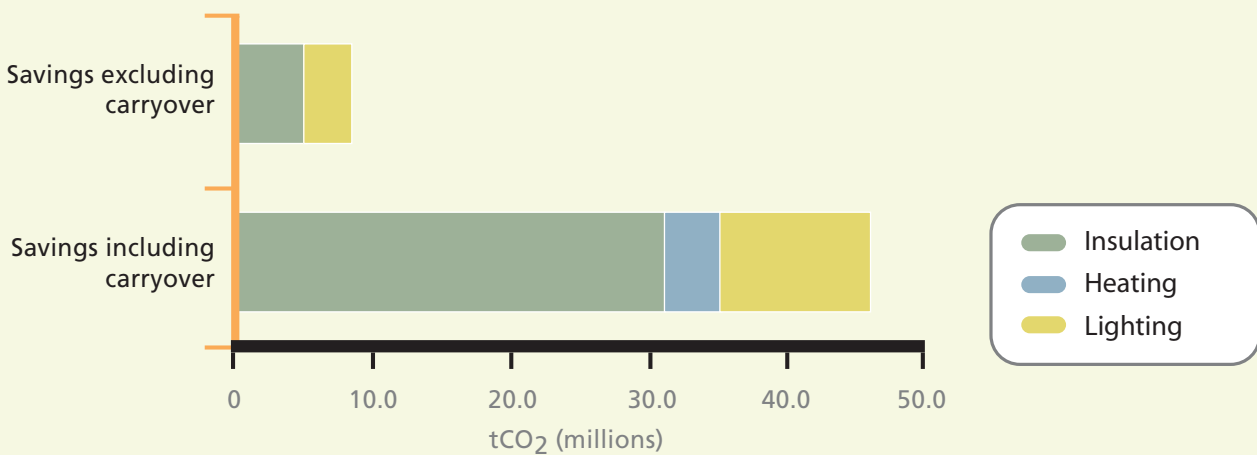


Chart 5 (overleaf) provides a breakdown of the savings achieved in quarter 1 by measure type (excluding the EEC2 carryover). Although the carryover will be counted toward the CERT target, it is useful to consider the savings achieved in quarter 1 without including the carryover, as this shows what is being achieved through activity set up specifically during the CERT period. It also gives an indication of what kind of activity might be delivered in future quarters under CERT without this being distorted by the EEC2 carryover activity.

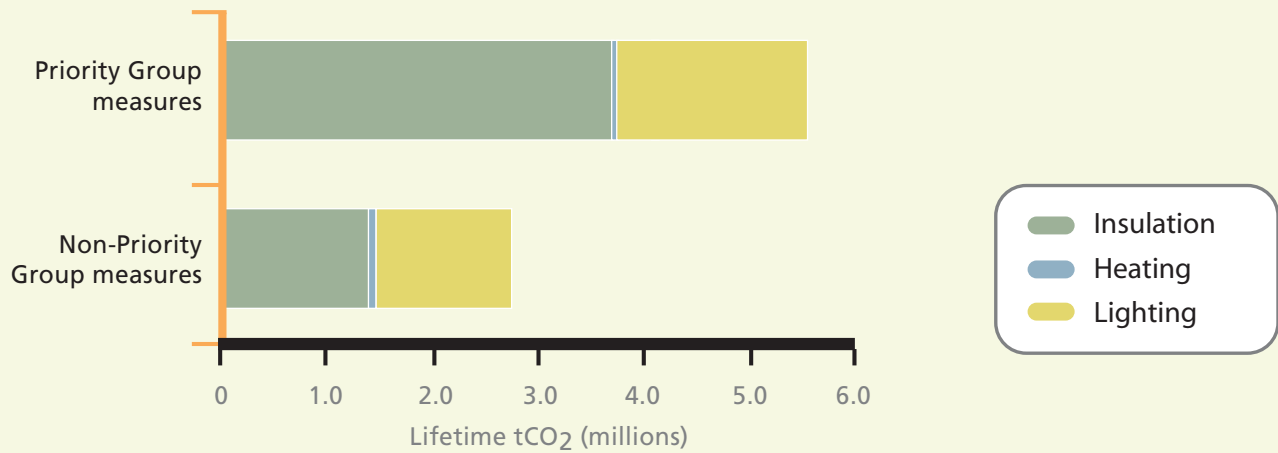
Chart 5 shows that the majority of savings are from insulation measures, with lighting measures also accounting for a large proportion of the savings. Heating schemes account for a very

small proportion of the savings so far, as discussed above. Several appliance schemes are in the process of being set up. These are in the early stages and have yet to deliver any significant savings. We would expect to see appliances accounting for a larger proportion of savings later on in the programme.

The pattern of measures delivered to the Priority Group is slightly different, with almost equal savings coming from insulation and lighting schemes and a larger amount from heating.

(CERT Quarter 1 Activity continued overleaf)

(CERT Quarter 1 Activity continued)

Chart 5: CO₂ savings by measure type delivered to Priority and non-Priority consumers (excluding carryover)

Energy efficiency team



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The contact details for those suppliers with a CERT obligation are available from Ofgem's website:
<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/CERT/Pages/CERT.aspx>

If you have any comments or suggestions on the information provided within the CERT Update, we would be happy to hear them. Please email your thoughts to cert@ofgem.gov.uk

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