

Carbon Emissions Reduction Target Update

Issue 5/August 2009

Quarter 5 Headlines:

- Annual report on first year of CERT has now been published.
- CERT amendments came into force on 20 July; CER target increased by 20% from 156 Mt CO₂ to 185 Mt CO₂.
- 69 Mt CO₂ emissions reductions achieved during the first five quarters of the CERT period (106 Mt CO₂ achieved including carryover). This equates to 58% of the new CER target.
- 46% of savings to target are from the Priority Group.
- 62% of total savings to target are from insulation.
- 30% of total savings to target are from lighting.

The CERT Programme:

- CERT is the government's main domestic energy efficiency instrument.
- DECC is responsible for the policy. Ofgem administers the programme.
- CER target is 185 lifetime MtCO₂.
- 40% of the obligation to be met in the Priority Group.
- The Priority Group includes those aged 70 and over and those on qualifying benefits.
- Market transformation action – uplifted savings for new measures, solid wall insulation and micro CHP.
- Priority Group flexibility mechanism – uplift for ground source heat pumps and solid wall insulation in low income hard to treat homes (as defined in the legislation).
- Demonstration action – credit given (based on expenditure) for trials of new measures or consumer reactions.



The CERT team, from left to right: Nick Carey (work experience), Sally Curtis, Steve McBurney, Annie Perrott, Emily Batchelor, Alex Duffield and Priya Patel

Number of measures delivered

Table 1

	Type	Number
Insulation	Cavity wall insulation	717,646
	Loft insulation (excluding DIY)	889,768
	Solid wall insulation	14,059
Heating	Fuel switching	19,351
Lighting	CFLs	169,855,811
Microgeneration	Heat pumps (ground source)	687
	Solar water heating (m ²)	216
	Small scale CHP	1

Table 1 shows the number of measures which suppliers report have been delivered to the fifth quarter of CERT, excluding measures carried over from EEC2. This reporting covers approved supplier schemes only and does not cover those currently going through the approval process; thus the figures in table 1 represent a slight underestimate of the actual activity achieved to date. Furthermore, this reporting shows a natural time lag behind actual activity in these approved schemes.

Since last quarter, many of these key measures have seen a decrease in reported activity. This is unsurprising as the fifth quarter falls in the summer months, when consumer demand for insulation, heating and lighting products

will be naturally lower. Reported loft insulation installations have decreased by around 30%, although with cavity wall installations up by 20% the insulation sector overall shows only a 12% decrease. Further to the insulation sector, fuel switching and CFLs have both seen a drop, at 33% and 56% respectively. No solar water heating or small scale CHP activity was reported this quarter.

In contrast to this trend however is solid wall insulation, where suppliers have reported a four fold increase on the previous quarter. Ground source heat pumps have shown a lesser but still significant increase of 30%, now totalling nearly 700 installations since the start of CERT.

¹ All references to MtCO₂ are lifetime tonnes, i.e the reduction in emissions occurring over the lifetime of the measures installed

From the start of the CERT period, around 170 million compact fluorescent lamps (CFLs) have been distributed under CERT.

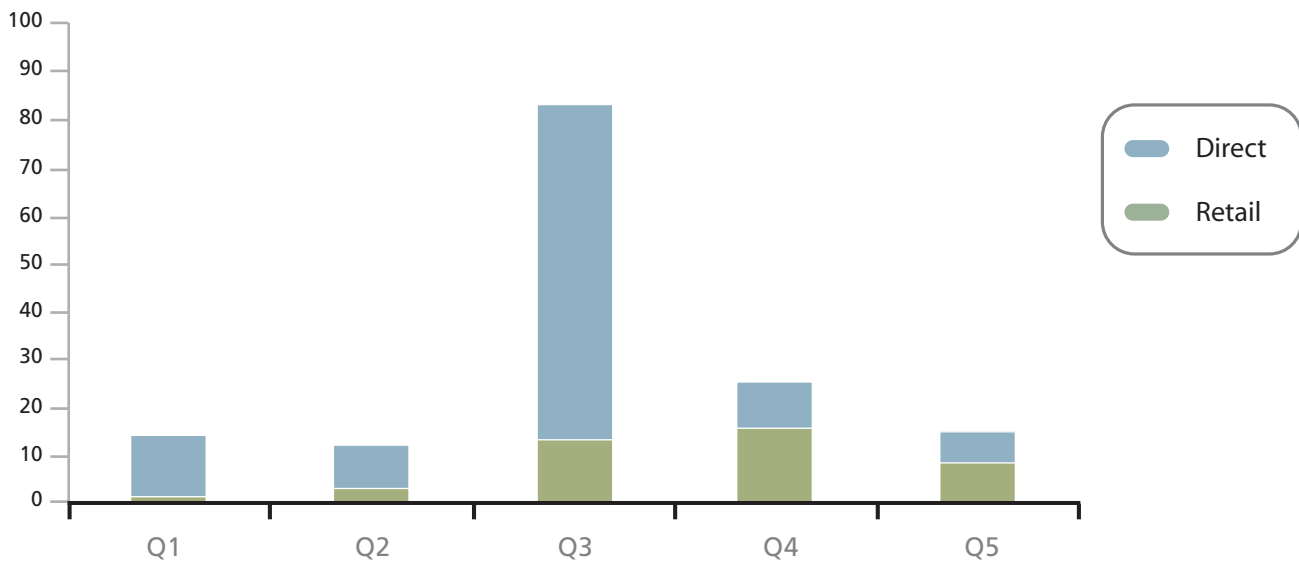
Chart 1 shows the number of CFLs promoted on a quarter by quarter basis since the start of the programme, split by distribution channel. Note that this chart excludes the small proportion of CFL activity – around 12% - which is submitted under schemes using a mix of distribution channels.

This chart clearly shows that the numbers of CFLs distributed in the fifth quarter are significantly lower than in the fourth, continuing a downward trend since the peak of activity in the third quarter. However, roughly 17 million bulbs were still delivered.

Whilst the proportion of CFLs distributed via direct activity has remained relatively stable over the past 6 months, this fifth quarter has seen the lowest volumes distributed via this channel since the beginning of CERT, with less than 7 million delivered. The amendments to CERT legislation passed in July this year mean that all CFL activity will be restricted to the retail delivery route from the eighth quarter of CERT.

In the insulation sector, a marked increase in solid wall activity has been recorded, although loft and cavity wall remain dominant. Solid wall still accounts for only 1% of activity with the number of loft insulations accounting for just over half of all insulation measures.

Chart 1: Number of CFLs delivered by quarter during CERT



Carbon savings achieved

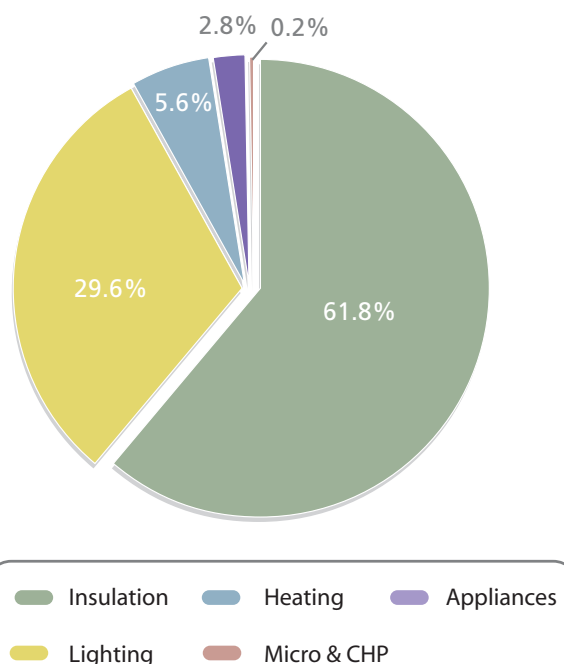
The six obligated energy suppliers update Ofgem every three months with their progress towards each of their carbon emissions reduction obligations, with and without carryover from EEC2. This is broken down across the different types of carbon saving measures, and also across the priority group.

Chart 2 shows the breakdown of carbon dioxide emissions reduction from each measure type, including carryover from EEC2 activity. As in the previous quarter, it can be seen that the majority of savings continue to come from insulation measures, with lighting measures following.

Lighting activity has declined since the last quarter. The proportion of savings arising from insulation and heating activity, however, has not substantially changed.

With no increase in delivery of solar heating technologies, but a continuing steady increase in the number of heat pumps, the microgeneration category is still small but maintaining its share of savings.

Chart 2: Total CO₂ savings by measure type (including carryover)





To date, 106 MtCO₂ savings have been achieved towards the CERT programme target of 185 MtCO₂. **Chart 3** shows how these reductions in carbon dioxide emissions have been achieved in the priority and non priority groups, broken down by CERT activity and EEC2 carryover. Suppliers must meet 40% of their

obligations in the Priority Group. This chart clearly shows that, whilst the greater proportion of savings towards CER targets has been in the non-Priority Group, activity since the start of CERT has been weighted towards the Priority Group, indicating that suppliers are on track to meet the 40% minimum.

Chart 3: CO₂ savings achieved in CERT and EEC2 carryover in the Priority Group and Non-Priority Group

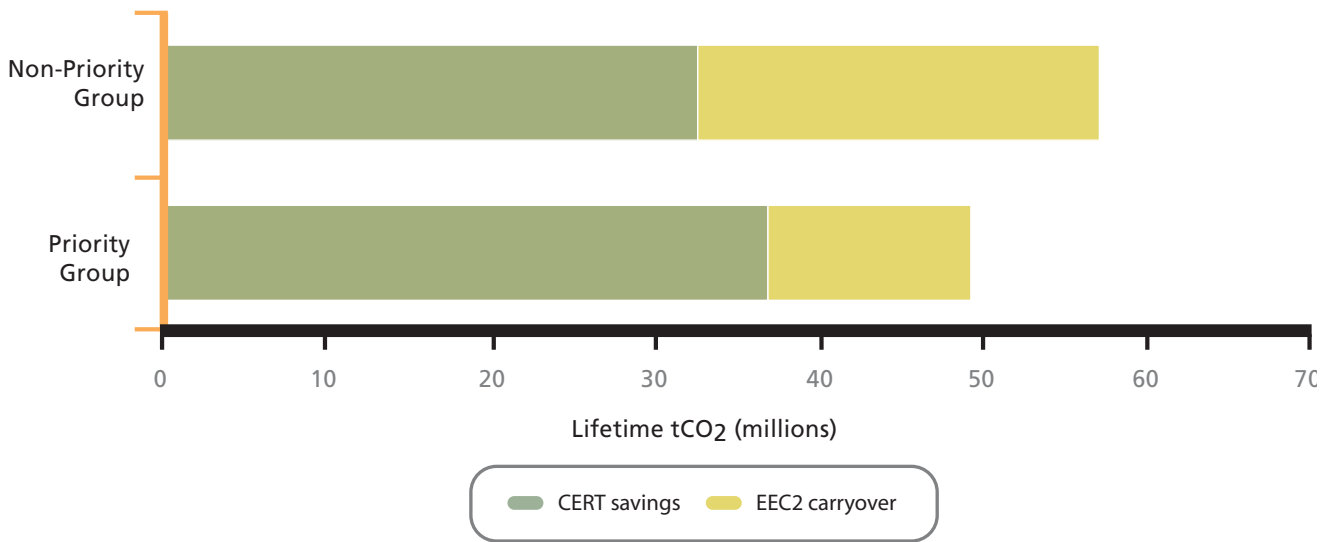
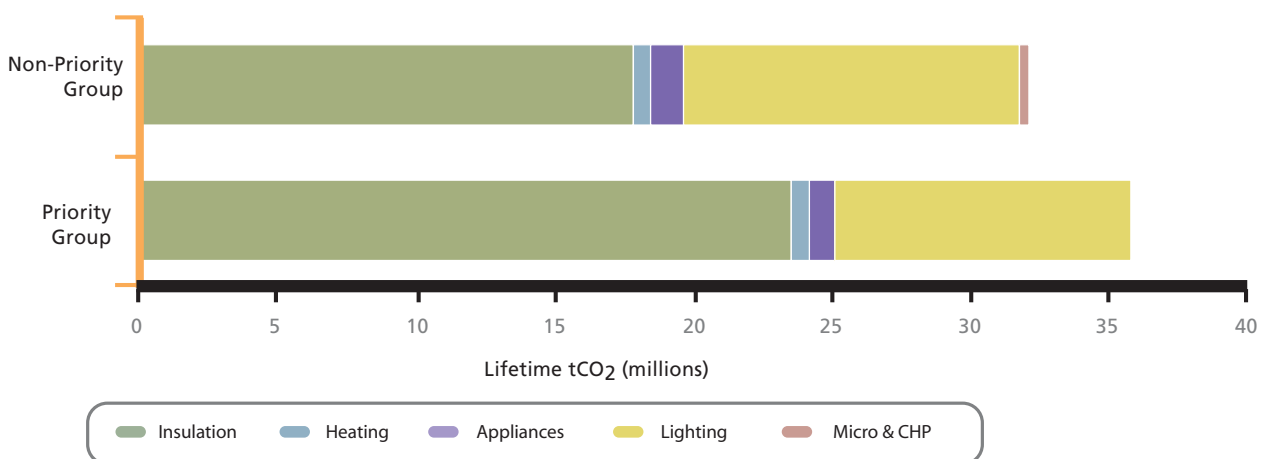


Chart 4 shows the carbon dioxide reductions by measure type and Priority Group status. This chart excludes carryover from EEC2, reporting activity during the CERT period only.

In a similar picture to the fourth quarter, both groups show similar trends in measure activity for heating and lighting, although we are starting to see slightly higher proportions of heating in the non-Priority Group. As seen in the fourth quarter,

there has been a slightly larger proportion of savings delivered through insulation schemes in the Priority Group than the non Priority Group; however, the trend over the past nine months indicates that this gap is closing. Appliances, microgeneration and CHP continue to account for a larger share of savings in the non Priority Group; with non-Priority Group households being more likely to be able to afford these higher-cost measures, this is not a surprising trend.

Chart 4: CO₂ savings by measure type delivered to Priority Group and Non-Priority Group (excluding carryover)



Policy developments

The amendments to the CERT 2008-2011 passed through the Houses of Parliament on 20 July 2009. The key amendments to the CERT are as follows:

- 20 per cent increase in the scale of the CER target to 185 million lifetime tonnes of CO₂
- Inclusion of real time displays (RTDs) and home energy advice packages (HEAs) as qualifying actions, each with a score specified in the legislation
- Increase of the innovation ring fence to 10 per cent of a supplier's obligation (or 12 per cent where at least two per cent is achieved via microgeneration)
- Provision of an incentive for the promotion of DIY loft insulation and professional loft insulation top up, where the installation takes place in the period between the Prime Minister's announcement of 11 September 2008 and 31 July 2009
- Restrictions to the delivery of compact fluorescent lamp (CFL) schemes

Ofgem have now consulted on how we intend to administer these changes. The updated CERT supplier guidance document, which lays out how we will administer the programme, will be released at the start of September 2009.

Government published their Low Carbon Transition Plan this summer, which details their national climate and energy strategy to 2020. As part of this strategy, they expressed their intention to extend the energy supplier obligation in some form to the end of 2012. DECC will consult on the details of this by the end of this year.

The CESP (Community Energy Saving Programme) legislation also passed through the Houses of Parliament on 20 July 2009. The obligation will commence on 1st October 2009. Ofgem has now recruited a team to work on CESP, and is currently undergoing a public consultation on how we will administer this programme, closing on 15 September 2009. Both the CERT and CESP teams at Ofgem will continue to work closely on the administration of these programmes, and in particular where supplier activity interacts.

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For more detail on CERT, please email CERT@ofgem.gov.uk or visit our website www.ofgem.gov.uk

The contact details for those suppliers with a CERT obligation are available from Ofgem's website:

<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/Contact/Pages/Contact.aspx>

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