ofgem E-Serve

Carbon Emissions Reduction Target Update

Issue 6/November2009

Quarter 6 Headlines:

- Amended CERT and new CESP guidance documents published this autumn.
- 79 Mt CO_2 emissions reductions achieved during the first six quarters of the CERT period, or 117 Mt CO2 including carryover: this equates to 63% of the CER target of 185 Mt CO_2.
- 46% of total savings to CER target are from the Priority Group.
- 62% of total savings to CER target are from insulation.
- 29% of total savings to CER target are from lighting.

The CERT Programme:

- CERT is the government's main instrument for domestic energy efficiency improvements in existing housing.
- DECC is responsible for the policy. Ofgem administers the programme.
- CER target has been increased by 20% to 185 Mt (lifetime) CO_2.
- 40% of the obligation must 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: uplifted savings 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.

Members of the energy efficiency team attending a conference this autumn on solid wall insulation, hosted by INCA

Number of Measures Delivered

The six obligated energy suppliers update Ofgem every 3 months on their progress in delivering certain key measures.

Table 1

	Type	No
Insulation	Cavity wall	859,583
	Loft insulation (excluding DIY)	1,059,648
	Solid wall insulation	16,967
Heating	Fuel switching	23,564
Lighting	CFLs	182,034,901
Microgenration	Heat pumps (Ground source)	803
	Solar water heating (m^2)	216
	Small scale CHP	1

Table 1 shows the number of measures delivered by suppliers to the sixth quarter of CERT, excluding measures carried over from EEC2.

The table contains data for 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, table 1 contains key measures only, and does not represent the full breadth of CERT activity.

With over 300,000 professional insulation installations carried out under CERT over the summer months of July, August and September (quarter six), and cumulative numbers of loft insulations breaking the 1 million barrier, insulation remains the most significant group of measures delivered in CERT. Whilst quarter five saw particularly high levels of solid wall activity, this rate has now dropped back, resulting in a total of 17,000 solid wall insulations in CERT to date.

(continued overleaf)

(Number of measures delivered continued)

In a similar trend, slightly lower rates of loft and cavity insulation are seen compared to the previous quarter, although when compared to the same quarter in the previous year, rates of professional insulation have nearly doubled.

There continues to be a steady distribution of low levels of heat pumps (116 in the last quarter), with no further activity in quarter six for other microgeneration technologies.

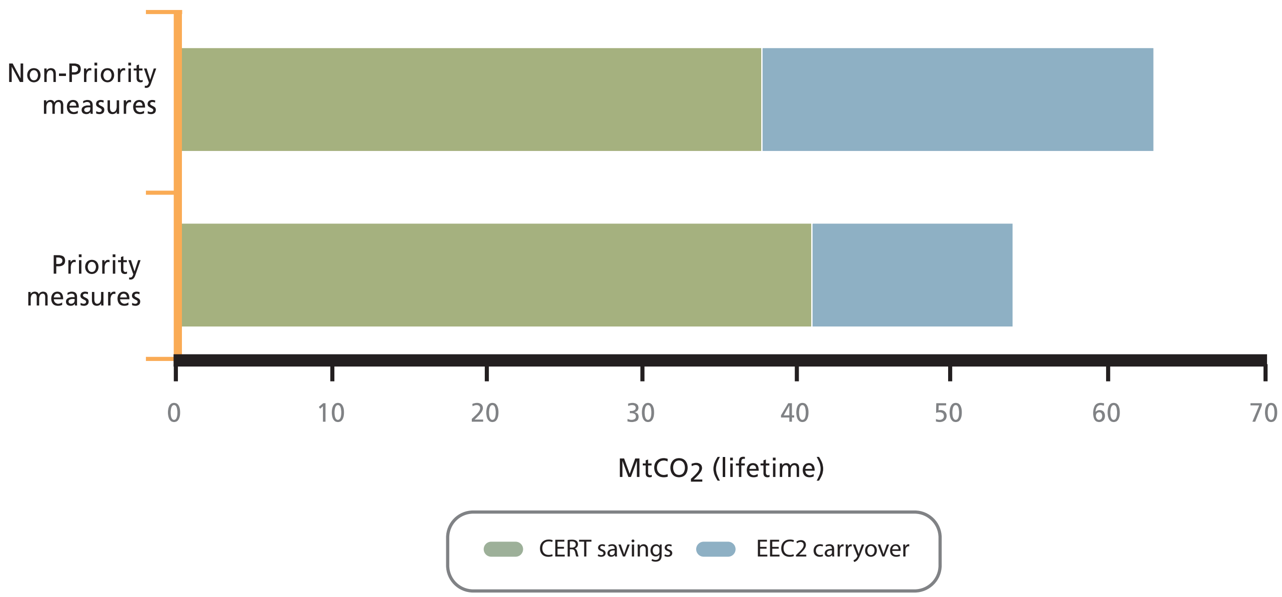
CFL distribution continues to slow, with a 29% reduction compared to quarter five and actual volumes distributed at their lowest since the beginning of CERT.

This reduction is due in a large part to changes to CERT eligible CFL delivery routes which were made near the beginning of quarter six after the passing of the CERT amendment Order 2009 and Ofgem's amended supplier guidance. These allow an interim period until 1st January 2010 for suppliers to 'wind down' their non-retail CFL activity, and to amend their existing retail CFL schemes in line with new guidance published by Ofgem 18th September. Whilst new rules remove non-retail activity, there is an allowance for one customer-base mail out per supplier to be completed before 1st Jan 2010. Thus, combined with the fact that the latter half of September sees the start of the retail lighting season, there may be an increase in lighting activity next quarter.

Carbon Savings Achieved

The six obligated energy suppliers update Ofgem every 3 months with their progress towards each of their carbon emissions reduction obligations, with and without carryover from EEC2. In the following analysis, this is summarised and broken down into carbon saving measures and priority group status. These represent estimated activity and do not constitute fully approved, finalised figures.

Chart 1: CO_2 savings achieved in CERT and EEC2 carryover in the Priority Group and non-Priority group



To date, 117 $MtC0_2$ savings have been achieved towards the CERT programme target of 185 $MtC0_2$. Chart 1 shows how these reductions in carbon dioxide emissions have been achieved in the priority (PG) and non priority (nPG) groups, broken down by CERT activity and EEC2 carryover. This clearly shows that, whilst the greater proportion of savings overall towards CER targets has been in the nPG, activity since the start of CERT has been weighted towards the PG. In the first half of CERT, suppliers have achieved 41 $MtC0_2$ in the PG – taking account of carryover, this leaves <20 $MtC0_2$ to be achieved in this sector in the final half of the programme.

Whilst the removal of direct mail CFLs will make it difficult to maintain this overall level of activity into 2010, if suppliers were to maintain levels of activity in other sectors it is likely that they will meet their obligations before the end of the current CERT period.

Chart 2: Total CO_2 savings by measure type (including carryover)

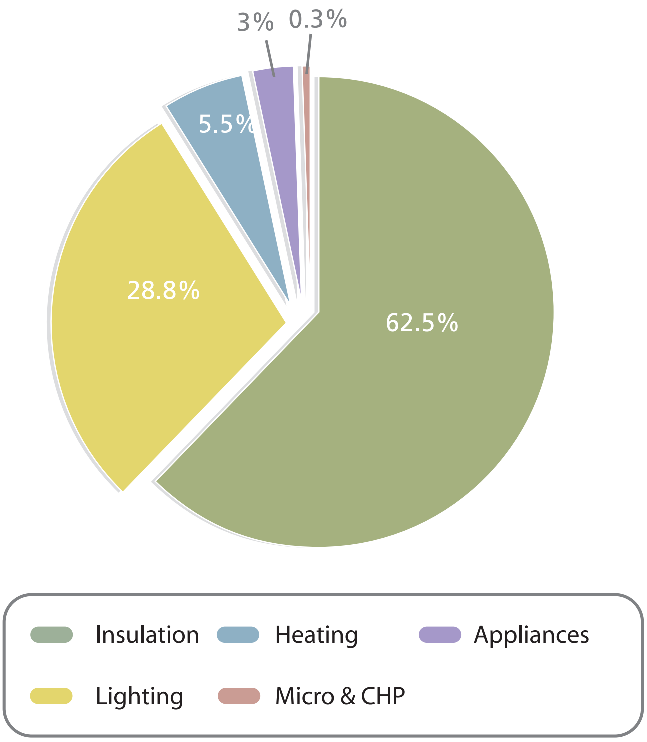


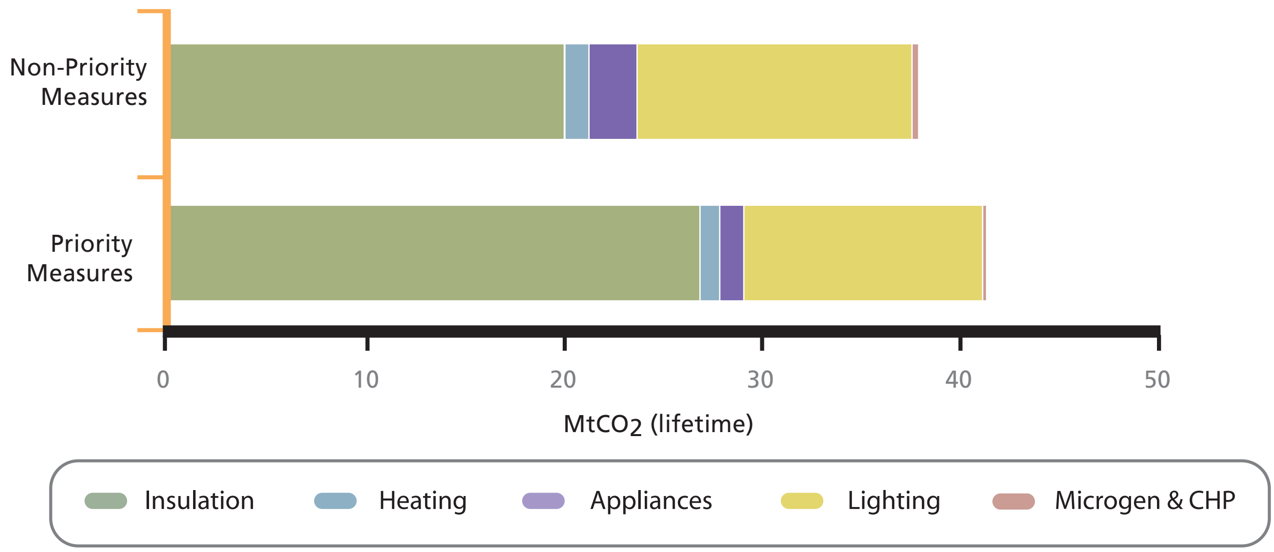
Chart 2 shows the total 117 Mt CO_2 saved to target, which includes carryover from EEC2, split into each measure group. Overall, looking at this cumulative total of delivery in CERT, there is little change on last quarter.

However, the trend of a decrease in lighting activity and an increase in insulation activity continues to show, with lighting this quarter representing 28.8% of cumulative carbon savings (compared to 29.6% quarter five) and insulation representing 62.5% of savings (compared to 61.8% in quarter five). It is also noteworthy that in quarter six 69% of savings resulted from insulation measures - the highest quarterly proportion of savings from insulation in a single quarter so far in CERT.

Other measure groups retain a significance in CERT, with microgeneration, appliances and heating accounting for the combined remainder of 8.8%. These measures show no real changes in relative proportions since last quarter.

Demonstration actions (DA) allow suppliers to be credited with a carbon return for approved financial investment in trials of innovative measures. Even though there are a number of approved and ongoing demonstrations actions across the six obligated suppliers, this activity does not currently feature in the above analysis. This is due to the fact that – unlike the vast majority of other CERT activity which accumulates measure by measure - carbon savings from DA activity are realised as a 'lump sum' when the trial is finalised. We expect that later in the CERT programme, as this DA activity is finalised and reported, we will see this segment gaining a proportion of carbon savings in quarterly reporting.

Chart 3: CO_2 savings by measure type delivered to Priority Group and non-Priority group (excluding carryover)



Similarly to **Chart 2**, **Chart 3** details carbon dioxide savings split by measure groups. However, **Chart 3** differentiates on priority group status, and analyses activity since the start of the CERT period, excluding EEC2 carryover.

There are no real changes in the relationship between proportions of different measures in the PG and nPG. In line with the changes seen in **Chart 2**, there is a slightly higher proportion of insulation and slightly lower proportion of lighting compared to quarter five. Insulation continues to play the bigger role in the PG, with 65.4% of savings compared to 53.0% in the nPG. Lighting continues to show the reverse trend to this, with lighting accounting for 29.3% of PG savings but 37.0% of nPG savings.

The other measure groups of appliances, microgeneration and heating are maintaining their positions with no changes in their proportions, with the exception of heating measures which have seen a small increase in their share of nPG savings.

Policy developments

The amendments to the CERT 2008-2011 passed through the Houses of Parliament on 19 July 2009, and Ofgem published new supplier guidance to reflect these amendments on 18th September.

Government intend to publish a consultation on an extension of the CERT to the end of December 2012 at the end of this year. It is expected that this will be a pro-rata extension to the CER target, and include mechanisms to ensure a focus on insulation measures, and a focus on vulnerable groups within the existing priority group. Further to this, a policy decision document relating to the Heat and Energy Saving Strategy, which will detail domestic energy efficiency policy post-2012, is expected in early 2010.

The CESP (Community Energy Saving Programme) supplier guidance and reporting tools were published by Ofgem in November. To date, only one formal submission of activity has been received by Ofgem, which is not unexpected. The CESP team will be publishing their first biannual update in February 2010.

CERT team contact details

Steve McBurney, Head of Energy Efficiency

Tel 020 7901 7063 **Email** steve.mcburney@ofgem.gov.uk

Emily Batchelor, Energy Efficiency Manager

Tel 020 7901 7488 **Email** emily.batchelor@ofgem.gov.uk

Priya Patel , Compliance Manager

Tel 020 7901 7155 **Email** priya.patel@ofgem.gov.uk

Mark Ainsworth, Asst Energy Efficiency Manager

Tel 020 7901 0531 **Email** mark.ainsworth@ofgem.gov.uk

Sue Corbett, Energy Efficiency Officer

Tel 020 7901 7170 **Email** susan.corbett@ofgem.gov.uk

Annie Perrott, Asst Energy Efficiency Manager

Tel 020 7901 0511 **Email** annie.perrott@ofgem.gov.uk

Sally Curtis, Energy Efficiency Officer

Tel 020 7901 7476 **Email** sally.curtis@ofgem.gov.uk

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

CESP team contact details

Steve McBurney, Head of Energy Efficiency

Tel 020 7901 7063 **Email** steve.mcburney@ofgem.gov.uk

Urszula Thorpe, CESP Manager

Tel 020 7901 7290 **Email** urszula.thorpe@ofgem.gov.uk

Edda Dirks, CESP Assistant Manager

Tel 020 7901 0513 **Email** edda.dirks@ofgem.gov.uk