

Carbon Emissions Reduction Target

Update

Issue 7/February 2010

Quarter 7 Headlines:

- DECC published a public consultation on the extension to CERT in December 2009. The consultation closes in March this year.
- 98 Mt CO₂ emissions reductions achieved during the first seven quarters of the CERT period, or 136 Mt CO₂ including carryover: this equates to 73% of the CER target of 185 Mt CO₂.
- 44% of total savings to target are from the Priority Group.
- 62% of total savings to target are from insulation.
- 29% 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.
- The CER target is 185 Mt (lifetime) CO₂.
- 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, micro CHP, RTDs and advice
- 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



Attending the Energy Efficiency Partnership for Homes Consumer Electronics Strategy Group; from left to right: Sara Pearce (EEPH), George Fullam (Intellect) and Emily Batchelor (Ofgem)

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	993,752
	Loft insulation (excluding DIY)	1,207,333
	Solid wall insulation	22,612
Heating	Fuel switching	30,893
Lighting	CFLs	224,128,884
Microgeneration	Heat pumps (Ground source)	1,012
	Solar water heating (m ²)	245
	Small scale CHP	1

Table 1 shows the number of measures delivered by suppliers to the seventh 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.

Insulation remains the most significant group of measures delivered in CERT. A total of 2.2 million professional insulation measures have been undertaken since April 2008 under CERT, in addition to the 38.8 million m² of DIY loft insulation which has been distributed through retail outlets.

The number of solid wall homes insulated has increased significantly, by a third from 16,967 (quarter 6) to 22,612 at the end of quarter 7 - a proportional increase over double that seen in the other professional insulation measures.

(continued overleaf)

(Number of measures delivered continued)

The number of CFLs distributed in the last quarter is higher than in the previous quarter. However, due to the upturn in other CERT measures, the overall proportion of savings from lighting has not increased. Lamps sold through retail stores account for around 55 per cent of those reported. This is unsurprising, as this update covers the months of October, November and December - part of the main UK lighting season. The remaining proportion is predominantly accounted for by the final direct activity permissible under CERT.

There continues to be a steady distribution, albeit at a low level, of microgeneration and fuel switching measures. The number of homes which have been switched to a lower carbon fuel as a result of CERT has increased by around a third to nearly 31,000. Numbers of solar water heaters and heat pumps continue to increase. With 200 installed in quarter 7, over 1000 heat pumps have been promoted in the CERT period.

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 (right) shows the total 136 MtCO₂ saved to target, which includes carryover from EEC2, split into each measure group. Overall, looking at this cumulative total of delivery in CERT, there are few changes compared to last quarter.

The proportion of savings coming from insulation and lighting remains stable, with neither showing a change of more than one percentage point compared to last quarter. Savings from lighting remain at just under a third of the total, with insulation accounting for around 62%.

Other measure groups retain a significance in CERT, with microgeneration, appliances and heating accounting for the combined remainder of 8.8%. Some of these measures have shown some significant changes since last quarter. Whilst heating remains the fourth largest group, the gap between heating and appliances has narrowed significantly. Whilst it is unsurprising to see an increase in heating measures during the winter months, reported savings have risen especially sharply, showing an increase of 18% in the last quarter alone, rising from 6.5 MtCO₂ at the end of the sixth quarter to 7.7 MtCO₂. Savings from microgeneration have jumped by 68% in quarter 7, from around 0.3 MtCO₂ at the end of quarter 6 to 0.5 MtCO₂ by the end of quarter 7.

Demonstration actions (DA) allow suppliers to get a carbon return for approved financial investment in trials of innovative measures. Even though there are a number of approved and ongoing demonstration actions across the six obligated suppliers, this activity does not currently feature in the above analysis. This is because carbon savings from DA activity are realised as a 'lump sum' when the trial is finalised. Furthermore, Ofgem are aware that suppliers are delivering behavioural measures under CERT, and we expect that at the next CERT update we will be in a position to report on these.

Chart 1: Total CO₂ savings by measure type (including carryover)

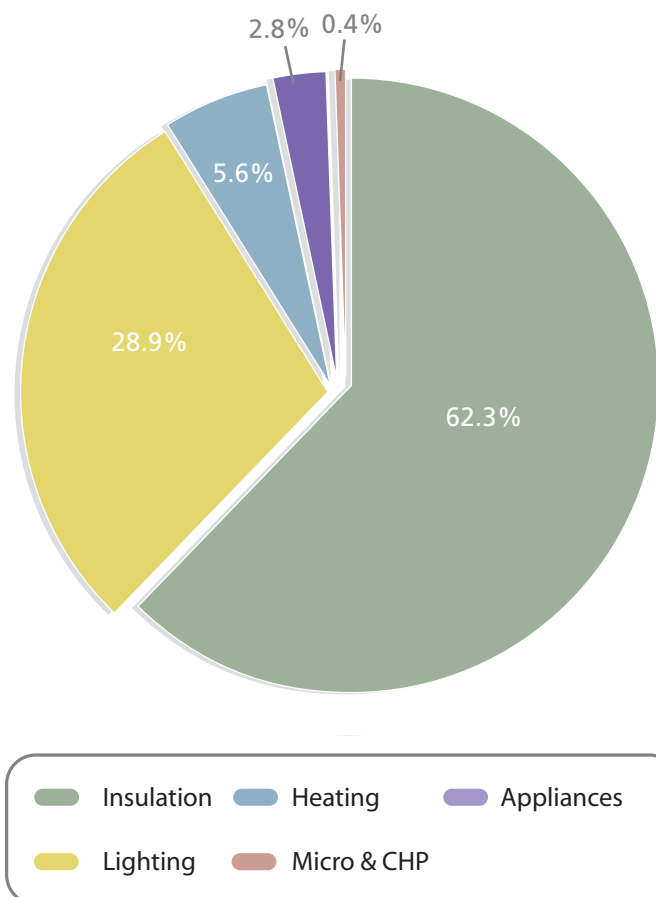
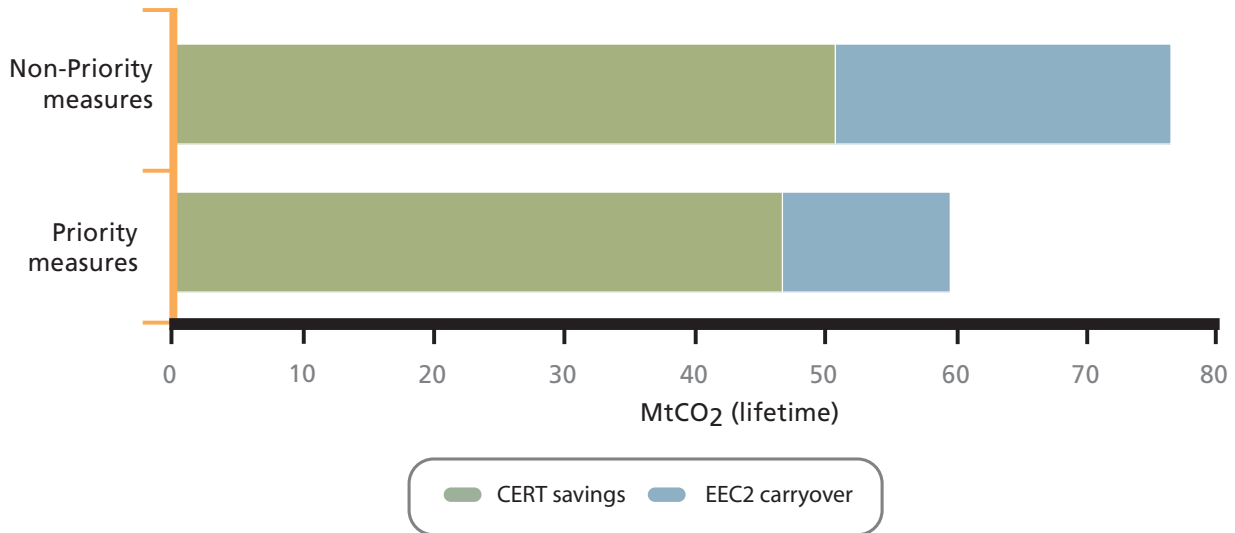




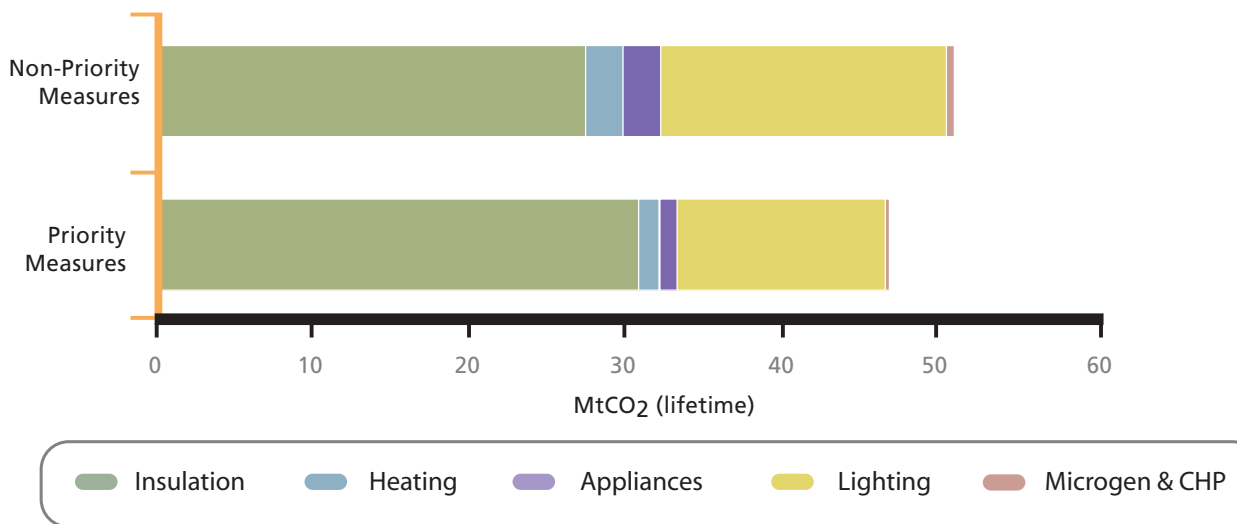
Chart 2: CO₂ savings achieved in CERT and EEC2 carryover in the Priority Group and non-Priority Group



To date, 136 MtCO₂ savings have been achieved towards the CERT programme target of 185 MtCO₂. **Chart 2** 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 significant proportion of savings towards CER targets has been in the PG, activity since the start of CERT is now weighted towards the nPG for the first time in the CERT period.

Chart 3: CO₂ savings by measure type delivered to Priority Group and non-Priority Group (excluding carryover)



Similarly to Chart 1, **Chart 3** details carbon dioxide savings split by measure groups. However, Chart 3 differentiates by priority group status, and analyses activity only since the start of the CERT period, excluding EEC2 carryover.

Insulation continues the trend of accounting for more savings in the priority group than in the non-priority group – with 53% of savings falling in the PG.

Appliances remain the third largest measure group in CERT at around four per cent, with the majority of savings (65%)

represented in the nPG compared to the 58% of GB households which fall into this group.

Reported savings in heating measures have risen significantly, as discussed above. Excluding carryover, reported savings from the start of the CERT period have jumped by 50% in the last quarter alone, rising from 2.3MtCO₂ at the end of the sixth quarter to 3.5 MtCO₂. The rise has been particularly significant in the nPG, with a 78% rise from 1.3 to 2.4MtCO₂ in the last three months, taking this to its highest proportion during the CERT period with around 5% of nPG savings.



Policy Developments

Government Activity

Government published their consultation proposals on an extension of the CERT to the end of December 2012 at the end of last year. The proposals include the following:

- A pro-rata extension to the CER target
- The introduction of an insulation minimum in CERT activity during the extension
- The introduction of a super priority group, which focuses on vulnerable groups within the existing priority group. This is likely to make up around a quarter of the priority group target.
- The introduction of a market transformation test for all new products
- The removal of CFLs as a qualifying action.

Further to this, a policy decision document relating to the Home Energy Management Strategy (previously known as the Heat and Energy Saving Strategy), which will detail domestic energy efficiency policy post-2012, is expected later this month.

Additionality of Carbon Scores

CERT, as the main policy instrument for reductions in domestic carbon emissions in the UK, interacts with a number of other UK and European policies. In administering the CERT, Ofgem check that all activity is additional to that resulting from other policies. For example, we scrutinise proposed and completed supplier submissions to ensure that these are “above and beyond” what would have happened as a result of building regulations and fuel poverty schemes - such as Warm Front - in England, Scotland and Wales.

The energy efficiency team keep up-to-date with both new policies and amendments to those already in force. We work with the six obligated suppliers, industry, and Government to address any issues of overlap. Over recent months, we have been evaluating the impact of the new European Directive on energy using products (the EuP Directive) which has an objective to bring about improvements in energy efficiency throughout a product's lifecycle. The EuP Directive's implementing measures have an impact on the products which are eligible for CERT activity, and the carbon scores which are awarded. We have therefore recently issued new guidance to energy suppliers and will ensure that products which do not exceed these minimum standards are phased out of CERT.

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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>