

Carbon Emissions Reduction Target

Update

Issue 8/June 2010

Quarter 8 Headlines:

- At the end of the second year of the three year CERT programme, suppliers have achieved 81% of the 185 Mt CO₂ CER target. This equates to 112 Mt CO₂ emissions reductions achieved during the CERT period, or 149 Mt CO₂ including carryover.
- 43% of total savings to target are from the Priority Group.
- 62% of total savings to target are from insulation.
- 28% 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 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

Suppliers report to Ofgem every quarter with their estimated progress against approved delivery schemes. For more information about the information collected and what it represents, please see the Ofgem CERT pages at www.ofgem.gov.uk/Sustainability/Environment/EnergyEff



Members of the Energy Efficiency team on a visit to the Rockwool factory in Bridgend, Wales. From left to right: Daryl Gambarana (Rockwool), Sally Curtis, Gosia Patyjewicz, Jeremy Hyde, Mark Ainsworth, Annie Perrott, Edda Dirks.

Number of Measures Delivered

The six obligated energy suppliers update Ofgem every 3 months on their progress in delivering certain key measures. These represent estimated activity and do not constitute fully approved, finalised figures.

Table 1

	Type	No
Insulation	Cavity wall	1,121,317
	Loft insulation (excluding DIY)	1,390,230
	Solid wall insulation	29,340
Heating	Fuel switching	37,282
Lighting	CFLs	232,827,748
Microgeneration	Heat pumps (Ground source)	2,094
	Solar water heating (m ²)	468
	Small scale CHP	1

Table 1 shows the number of measures delivered by suppliers to the eighth 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 2.5 million professional insulation measures have been undertaken since April 2008 under CERT, in addition to the 46.9 million m² of DIY loft insulation which has been distributed through retail outlets. The number of solid wall homes insulated has again increased significantly, from 22,612 to 29,340 over the three months January to March 2010. This same period last year saw only around a quarter of this activity reported by suppliers.

(continued overleaf)

(Number of measures delivered continued)

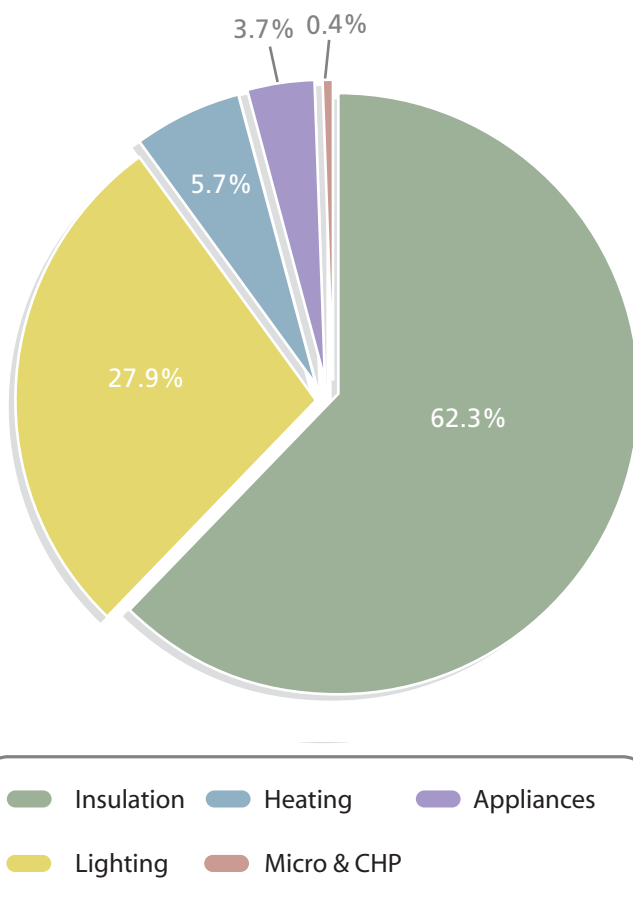
Installations of heat pumps and solar water heaters continue to grow with increasing speed, with over 2,000 heat pumps now installed under the programme. However, installations remain very low relative to activity elsewhere in CERT.

Following restrictions to retail only activity, CFL delivery has now significantly slowed. Following last quarter's increase - which coincided with the final period of non-retail activity in CERT - the rate of distribution of CFLs has now dropped back. Comparison with the same period last year shows that the delivery rate has dropped by over two thirds.

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: Total CO₂ savings by measure type (including carryover)



At the end of the second year of CERT suppliers have achieved 149 Mt CO₂ (lifetime) savings towards the CER target. This equates to 81% of their 185 Mt CO₂ target, leaving under a fifth (19%) to be achieved in the third and final year of the current programme. Furthermore - since suppliers only report against approved activity, and do not apply any eligible uplifts at this stage - it is highly likely that this 81% represents an underestimate of total progress.

Chart 1 (left) shows this total 149 MtCO₂ saved to target split into each measure group. Overall the proportion of savings from the major sectors remains fairly stable.

- Insulation accounts for around 62% (93.1 MtCO₂) of savings including carry over from EEC2.
- Savings from lighting remain at under a third of the total (41.7 MtCO₂).

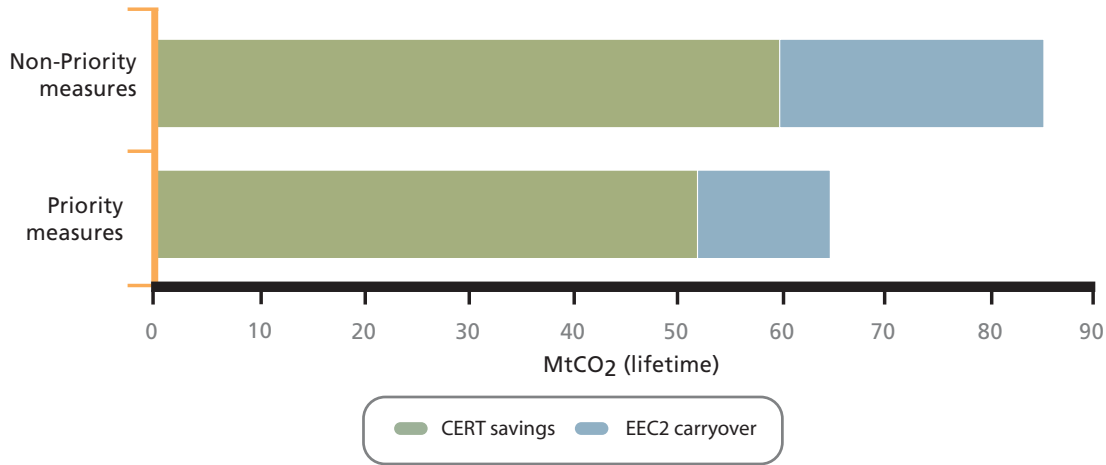
Other measure groups retain an increasingly significant place in CERT, with microgeneration, appliances and heating accounting for the combined remainder of 9.8% - up from 8.9% last quarter. This change is mainly accounted for by the growth of the appliances sector relative to other areas.

- Savings from heating measures, dominated by fuel switching activity, has increased from 7.7 MtCO₂ at the end of last quarter to 8.5 MtCO₂. The relative proportion of savings remains the same at 5.7%.
- Reported savings from appliances have grown quickly, from 3.8 MtCO₂ in the last quarter to 5.5 MtCO₂. The relative proportion of savings has increased to 3.7%. Whilst this sector includes white goods, the majority of these savings are accounted for by consumer electronics and standby reduction devices.
- Savings from microgeneration have increased from 0.51 MtCO₂ at the end of last quarter to 0.66 MtCO₂. The relative proportion of savings remains the same at 0.4%.

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 demonstrations 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. Behavioural measures should be reported in the next CERT Update.



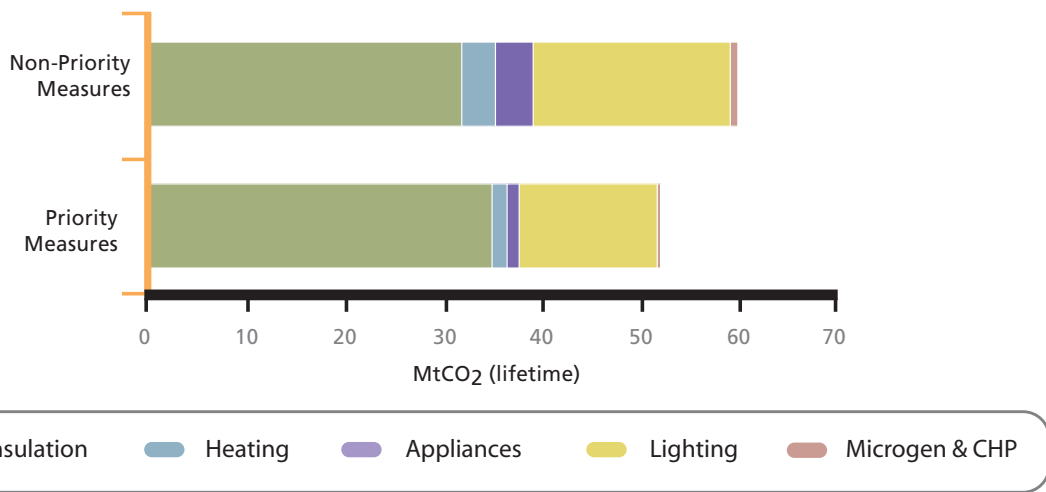
Chart 2: CO₂ savings achieved in CERT and EEC2 carryover in the Priority and non-Priority



To date, 149 MtCO₂ savings have been achieved towards the CERT programme target of 185 CO₂. **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. Last quarter we reported that, for the first time since the start of CERT, cumulative activity in the nPG

was higher. This chart shows that nPG savings are growing at a faster rate than PG savings. Analysing the rate of activity over the last 2 years, this does not appear to be due to a slowing down in the rate of activity to PG households. Instead, this appears predominantly due to an acceleration in the rate of nPG activity, with PG activity increasing at a constant rate.

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 on priority group status, and analyses activity only since the start of the CERT period, excluding EEC2 carryover.

The relative rates of savings increase – i.e. comparing PG activity rates with nPG rates – are similar to previous quarters for insulation, lighting and microgeneration. However, January to March delivery in the appliances and heating sector has shifted the balance of activity in the following areas. All savings are excluding carryover:

- The increase in appliances activity discussed in relation to Chart 1 is predominantly in the nPG. In the last quarter alone, nPG savings have increased from 2.5 MtCO₂ (3.3% of overall nPG activity) to 4MtCO₂ (4.7% of overall nPG activity). Savings in the PG have not increased as rapidly, moving from 1.3 MtCO₂ (2.8% of overall PG activity) to 1.5MtCO₂ (remaining at 2.8% of overall PG activity).
- A significant increase in heating activity was seen in the nPG, from 2.4 MtCO₂ to 3.1 MtCO₂. Activity in the PG only increased from 1.0 MtCO₂ to 1.2 MtCO₂.

Policy Developments

Government Activity

Following the election in May this year, a coalition government between the Conservatives and Liberal Democrats has been formed. Chris Huhne has been appointed as the Secretary of State for the Department of Energy and Climate Change, along with a new Climate Change Minister Greg Barker.

Their initial coalition negotiation agreements - published 11th May 2010 - outline a number of environmental intentions for the new government, including:

- The creation of a green investment bank.

- The provision of home energy improvement paid for by the savings from lower energy bills.
- Retention of energy performance certificates while scrapping HIPs.

In the nearer term, the current CERT programme is due to finish in March 2011. An extension of the CERT to the end of December 2012 was proposed at the end of last year, details of which were covered in the last CERT update. Further announcements about the CERT extension should be expected from DECC this summer.

Following such announcements, the energy efficiency team will publish a full consultation on our administration of the scheme.



Ofgem E-Serve Activity

The Energy Efficiency CERT team will be publishing our Annual Report to the Secretary of State in August.

In Ofgem E-Serve we administer a number of environmental programmes on behalf of government including the energy efficiency programmes, Renewables Obligation (RO) and Climate Change Levy exemptions (CCL).

In addition, we have recently taken on the administration of the new Feed in Tariffs programme for smaller scale renewable electricity generators, which came into force on 1st April 2010. Further details can be found here www.ofgem.gov.uk/E-Serve

Ofgem has a wider commitment to sustainability which extends outside of

our administration of environmental programmes. We are also committed to using resources efficiently in our offices. For example, we have put in place efficient lighting and recycling strategies, taken steps to reduce our water usage, and installed two voltage power optimisers on site.

CERT team contact details

Steve McBurney, Head of Energy Efficiency

Tel 020 7901 7063 Email steve.mcburney@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

Emily Batchelor, Fraud Prevention & Audit Manager

Tel 020 7901 7488 Email emily.batchelor@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>