

Carbon Emissions Reduction Target Update

Issue 9/October 2010

Quarter 9 Headlines:

- 159 Mt CO₂ emissions reductions achieved in CERT to date, including carryover. This equates to 86% of the 2009 CER target of 185 Mt CO₂ and 54% of the newly extended target of 293 Mt CO₂.
- 43% of total savings to target are from the Priority Group.
- 62% of total savings to target are from insulation.
- 27% 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 was 185 Mt (lifetime) CO₂. In August, this was extended on a pro-rata basis to the end of December 2012, increasing the target to 293 Mt (lifetime) CO₂.
- 40% of the obligation must be met in the Priority Group.
- 16.2 Mt (lifetime) CO₂ (15%) of the extension obligation must be met in the Super Priority Group.
- 73.4 Mt (lifetime) CO₂ (68%) of the extension obligation must be met by promoting professionally installed insulation measures.
- The Priority Group includes those aged 70 and over and those on qualifying benefits.
- The Super Priority Group represents a sub-set of the Priority Group. It includes those on certain qualifying benefits such as the state pension credit.

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	Number of measures
Insulation	Cavity wall	1,216,608
	Loft insulation (excluding DIY)	1,515,455
	Solid wall insulation	31,745
Heating	Fuel switching	50,284
Lighting	CFLs	244,142,452
Microgeneration	Heat pumps (Ground source)	2,790
	Solar water heating (m ²)	1,022
	Small scale CHP	1
Behavioural	Real Time Displays	867,382

Table 1 shows the number of measures delivered by suppliers to the ninth 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 2.8 million professional insulation measures have been undertaken since April 2008 under CERT, in addition to the 49.2 million m² of DIY loft insulation which has been distributed through retail outlets. The number of solid wall homes insulated has increased from 29,340 to 31,745

over the three months April to June 2010.

The heating measures fuel switching and solar water heating have increased significantly, showing a 35% and 118% rise respectively. Heat pump numbers also continue to rise, increasing from 2,094 to 2,790 units.

CFL distribution continues but at a much slower rate, rising from 233 million lamps at the end of March to 244 at the end of June. This increase of around 11 million lamps is the smallest quarterly distribution for CFLs since the start of CERT.

This quarter shows the first set of behavioural activity being reported by suppliers, with 867,382 RTDs being distributed to date under the programme. No Home Energy Advice packages (HEAs) have been reported to date.

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.

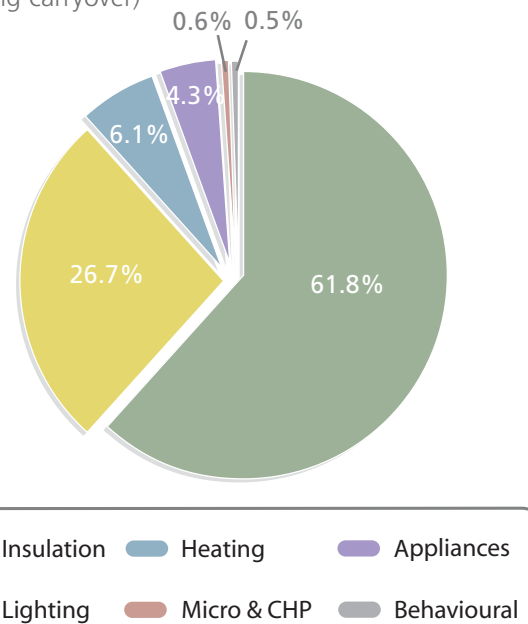
Chart 1 (opposite) shows the total 159 Mt CO₂ saved to target, which includes carryover from EEC2, split into each measure group. Overall the proportion of savings from the major sectors remains fairly stable, although lighting has dropped further with appliances continuing to grow.

- Insulation accounts for around 62% (98.3 Mt CO₂) of savings including carryover from EEC2.
- Savings from lighting continue to count for a lower share, having decreased from 27.9% to 26.7% of the total (42.5 Mt CO₂).

Other measure groups retain an increasingly significant place in CERT, with microgeneration, appliances, behavioural measures and heating accounting for the combined remainder of 11.5% - up from 9.8% last quarter. This change is mainly accounted for by the growth of the appliances sector relative to other areas, and the reporting of savings from behavioural measures for the first time.

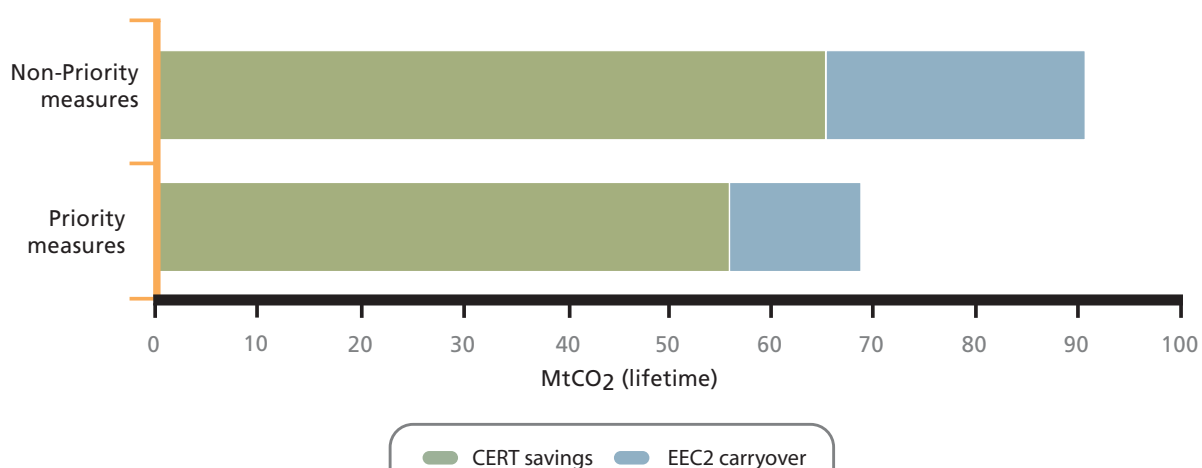
- Savings from heating measures, dominated by fuel switching activity, have increased from 8.5 Mt CO₂ at the end of last quarter to 9.8 Mt CO₂. The relative proportion of savings has increased to 6.1%.
- The appliances sector includes white goods, consumer electronics and standby reduction devices. Reported savings from appliances have grown from 5.5 Mt CO₂ in the last quarter to 6.8 Mt CO₂. The relative proportion of savings has increased to 4.3%.
- Savings from microgeneration have increased from 0.66 Mt CO₂ at the end of last quarter to 0.93 Mt CO₂. The relative proportion of savings has increased to 0.6%.
- Behavioural measures, entirely RTDs at the current time, have reported a share of 0.5% Mt CO₂.

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



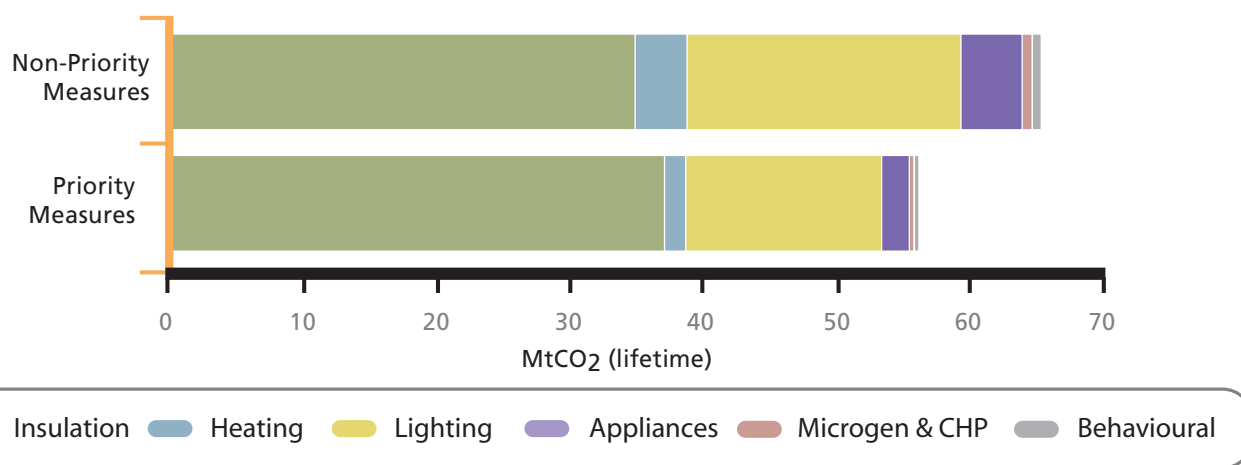
Demonstration actions (DA) allow suppliers to get a carbon return for approved financial investment in trials of innovative measures. Even though there are a number of approved and ongoing demonstrations actions across the six obligated suppliers, this activity does not currently feature in the above analysis. This is because carbon savings from DA activity are realised as a 'lump sum' when the trial is finalised.

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



To date, 159 Mt CO₂ savings have been achieved towards the CERT programme target of 185 Mt CO₂. **Chart 2** shows how these reductions in carbon dioxide emissions have been achieved

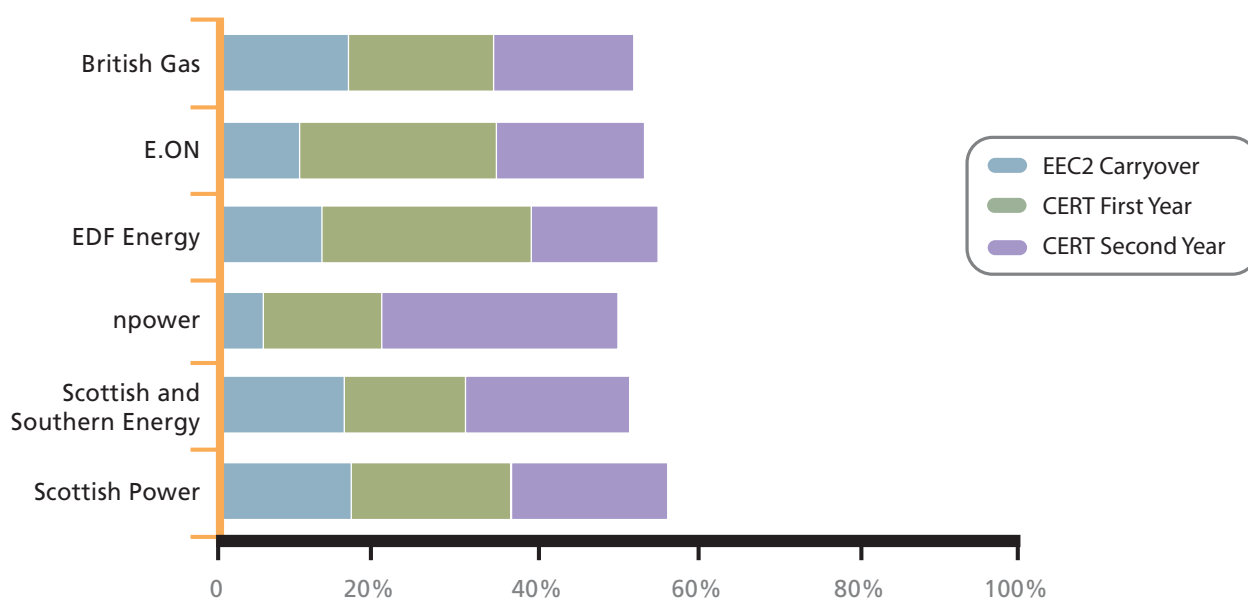
in the priority (PG) and non priority (nPG) groups, broken down by CERT activity and EEC2 carryover. This chart shows that the nPG savings continue to exceed PG savings.

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 the last quarter for all measures.

Each supplier's progress towards their new obligations

Chart 4: Percentage of each supplier's new obligation achieved - to 293 MtCO₂ target. This is based on annual report year 2 and is not based on Quarter 9 reported data

Unlike the rest of the information presented in this update, **Chart 4** details each CERT obligated supplier's progress at the end of Year 2. This is the same information as displayed in the CERT annual report published in August this year, but represented as a proportion of the extended CERT target of 293 Mt CO₂. This

shows that all suppliers have achieved around half of the new target. npower achieved the highest proportion of their obligation out of all suppliers in year 2, followed by Scottish Power.



Policy Developments

Following government consultation on amendments to the CERT, on 30 July 2010 the Electricity and Gas (Carbon Emissions Reduction) (Amendment) Order 2010 was signed into law. This Amendment Order provides the statutory basis for the Government's changes to the CERT. These can be summarised as follows:

- extended the CERT period to 31st December 2012;
- increased the overall CER target to 293 million lifetime tonnes of carbon dioxide;
- introduced an Insulation Obligation, set at 73.4 million lifetime tonnes of carbon dioxide, to be met through professionally installed insulation products;
- introduced a Super Priority Group (SPG) Obligation, set at 16.2 million lifetime tonnes of carbon dioxide;
- required suppliers, from 1 August 2010, to report on the main fuel source used to heat premises where solid wall insulation is installed;
- removed ground source heat pumps as an eligible Priority Group flexibility measure for properties without mains gas supply, from 1 April 2011;
- restricted the delivery of microgeneration products to SPG only, from 1 April 2011;
- removed all CFL and halogen lamps as eligible qualifying actions, from 1 April 2011;
- changed the Market Transformation baseline from EEC1 to EEC2, from 1 April 2011;
- required written consumer requests for all free non-professionally installed measures, from 1 August 2010; and
- introduced new reporting provisions.

Ofgem has also recently published a consultation on its administration procedures of the CERT Amendment Order.

CERT team contact details



Steve McBurney, Head of Energy Efficiency

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

Emily Batchelor, Fraud Prevention & Audit 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

Emily Flatt, Energy Efficiency Manager

Tel 020 7901 7361 Email emily.flatt@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

Lakhvinder Sandhu, Energy Efficiency Officer

Tel 020 7901 7339 Email lakhvinder.sandhu@ofgem.gov.uk

For more detail on CERT, please email CERT@ofgem.gov.uk or visit our website www.ofgem.gov.uk/cert. The website contains the contact details for those suppliers with a CERT obligation.