ofgem E-Serve

Carbon Emissions Reduction Target Update

Issue 11/February 2011

Quarter 11 Headlines

- 182 Mt CO_2 emissions reductions achieved in CERT to date, including carryover. This equates to 62% of the extended target of 293 Mt CO_2.
- 42% of total savings to target are from the Priority Group.
- 61% of total savings to target are from insulation (including DIY).
- 26% 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) CO_2 by 31 March 2011. In August 2010, this was extended (on a pro-rata basis) to the end of December 2012, increasing the target to 293 Mt (lifetime) CO_2.
- 40% of the obligation must be met in the Priority Group.
- 16.2 Mt (lifetime) CO_2 (15%) of the extension obligation must be met in the Super Priority Group.
- 73.4 Mt (lifetime) CO_2 (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, for example households in receipt of child tax credits with an income under £16,190.

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, cumulative activity and do not constitute fully approved, finalised figures.[1]

Table 1

	Measure type	Number of measures
Insulation	Cavity wall insulation	1,412,524
	Loft insulation (excluding DIY)	1,743,104
	Solid wall insulation	35,815
Heating	Fuel switching	63,112
Lighting	CFLs	276,476,195
Microgeneration	Heat pumps	4,289
	Solar water heating (m^2)	791
	Small scale CHP	1
Behavioural	Real Time Displays	1,266,913

Table 1 shows the number of measures delivered by suppliers to the eleventh quarter (October to December 2010) 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. These figures are reported to Ofgem as a cumulative total from the beginning of CERT.

Insulation remains the most significant group of measures delivered in CERT. A total of 3.2 million professional insulation measures have been undertaken since April 2008 under CERT, in addition to the 66.3 million m^2 of DIY loft insulation which has been distributed through retail outlets. In the last quarter all major insulation measures have seen continued activity, although the number of solid wall homes insulated has marginally increased from 34,239 to 35,815 over the three months October to December 2010.

Numbers of heat pumps and solar water heating have both risen, the former by 31% from 3,274 to 4,289 units. The total reported level of solar water heating has increased very slightly by 1% ($7m^2$). This indicates the continuing dominance of heat pumps in CERT compared to other microgeneration measures - noting that no biomass, wind or solar photovoltaic measures have been reported to date.

CFL distribution continues. This is the penultimate reporting period for CFL activity as this measure will be ineligible in the programme after 31st March 2011. Numbers have risen from 253 million lamps at the end of September to 276 million at the end of December. This increase of around 23 million lamps is higher than recent quarterly increases. This may in part be due to this being the Autumn/Winter period.

This quarter shows the third set of behavioural activity being reported by suppliers, with 1.27 million RTDs being distributed to date under the programme. This represents an increase of 186,803 units (a 17% increase). Also, this is the first period when Home Energy Advice packages (HEAs) have been reported, showing 26,400 packages to date.

[1] Ofgem carries out checks on the data, liaising with the suppliers over unexpected data points or trends. Where numbers provided in the tables do not exactly match those cited in the text it is due to rounding errors. Final figures will be confirmed at the end of the scheme, when data provided for compliance purposes will be available.

Carbon Savings Achieved

The six obligated energy suppliers update Ofgem every 3 months with their cumulative 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 cumulative, estimated activity and do not constitute fully approved, finalised figures.[1]

Chart 1: Total CO_2 savings by measure type (including carryover)

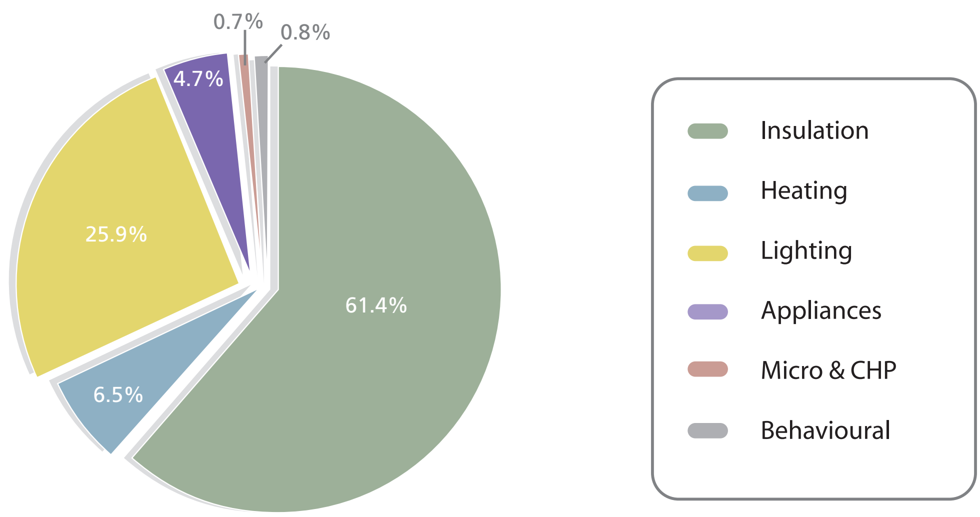


Chart 1 (above) shows the total 182 Mt CO_2 saved to target, which includes carryover from EEC2, split into each measure group. Overall the proportion of savings from the major sectors remains fairly stable.

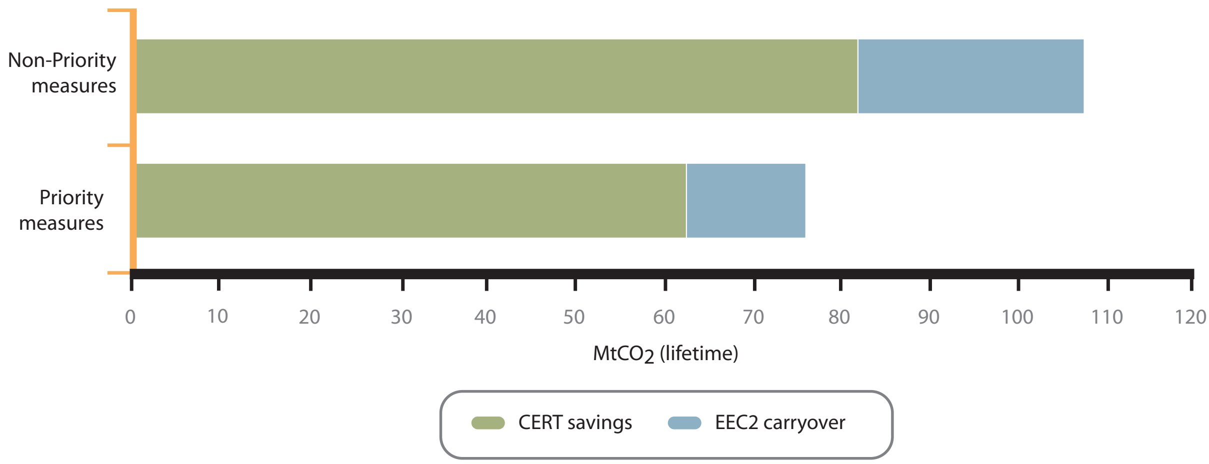
- Insulation accounts for around 61% (112 Mt CO_2) of savings including DIY and carryover from EEC2. This sector's representation remains stable over the last 12 months.
- Savings from lighting (47.0 Mt CO_2) continue to account for around 26% of the total.

Other measure groups retain a significant place in CERT, with microgeneration, appliances, behavioural measures and heating accounting for the combined remainder of 12.7% - up from 12.1% last quarter. This slight increase is mainly accounted for by the growth of heating, appliances and behavioural sectors relative to other areas.

- Savings from heating measures, dominated by fuel switching activity (for example from oil to gas) and distribution of shower regulators, has increased from 10.7 Mt CO_2 at the end of last quarter to 11.8 Mt CO_2. The relative proportion of savings has increased slightly from 6.3% to 6.5%.
- The appliances sector includes white goods, consumer electronics and standby reduction devices. Reported savings from appliances have grown from 7.4 Mt CO_2 in the last quarter to 8.5 Mt CO_2. The relative proportion of savings has increased from 4.4% to 4.7%.
- Savings from microgeneration have increased from 1.1 Mt CO_2 at the end of last quarter to 1.3 Mt CO_2. The relative proportion of savings remains the same at 0.7%.
- Behavioural measures, comprising both RTDs and HEAs, have increased from 1.2 Mt CO_2 at the end of last quarter to 1.4 Mt CO_2. The relative proportion of savings has increased slightly from 0.7% to 0.8%.

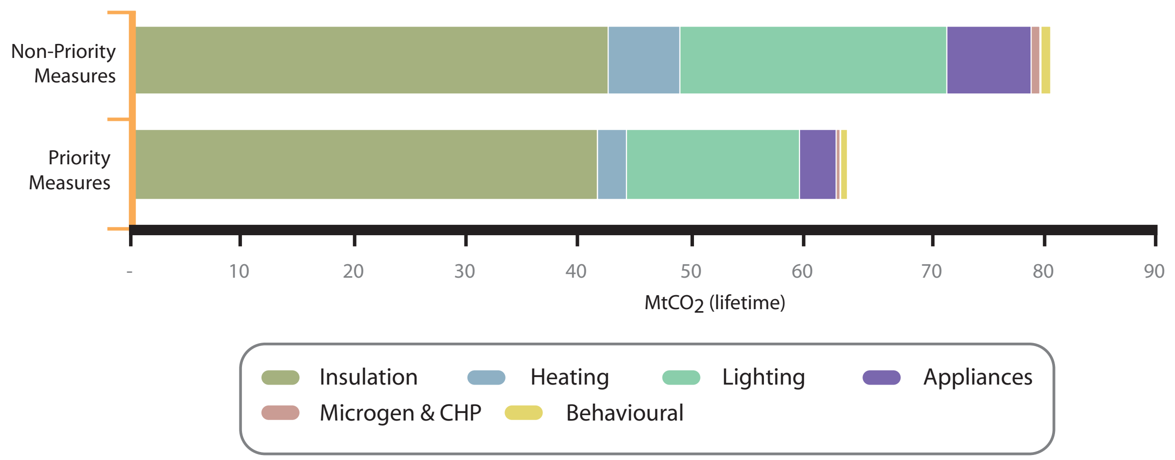
Demonstration actions (DA) allow suppliers to get a carbon return for approved financial investment in trials of innovative measures. Even though there are a number of approved and ongoing demonstrations actions across the six obligated suppliers, this activity does not currently feature in the above analysis. This is because carbon savings from DA activity are realised as a 'lump sum' when the trial is finalised. We are now starting to receive end of trial reports and we expect to be able to report on this type of activity in the near future.

Chart 2: CO_2 savings achieved in CERT and EEC2 carryover in the Priority and non-Priority Group



To date, 182 Mt CO_2 savings have been achieved towards the CERT programme target of 293 $MtC0_2$. **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: CO_2 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 except insulation.

- Non-priority group insulation savings are now slightly higher than in the priority group, being 43 Mt CO_2 and 42 Mt CO_2 respectively.
- Heating, appliances, lighting, behavioural and microgeneration savings remain higher in the non-priority group.

Carbon Emissions Reduction Target **Update**

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. Following the closure of the consultation on Ofgem's administrative process of the CERT amendment order we have now issued a new guidance document entitled 'Carbon Emissions Reduction Target Supplier Guidance Version 3'. This can be found at www.ofgem.gov.uk/cert.'

In their decisions document published last summer[2], DECC indicated that they would issue a short consultation on the role of appliances and consumer electronics in CERT. This was published on 16 November and closed 7 January 2011. It proposed that there are several core principles against which any measure to be promoted under CERT should be assessed:

- confidence that carbon savings are realised
- avoidance of deadweight
- focus on non-traded sector
- positive impact on vulnerable households; and
- contributes to scheme transparency.

DECC indicated in the consultation that they will exclude as eligible any product where evidence of meeting these principles is lacking and that they would look to deliver this quickly e.g. possibly from April 2011. Decisions will be announced soon.

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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.

[2] available on DECC website: www.decc.gov.uk/en/content/cms/consultations/appliance_cert/appliance_cert.aspx