ofgem E-Serve

Carbon Emissions Reduction Target Update

Issue 12 Revised/August 2011

Quarter 12 Headlines

- 197 Mt CO_2 emissions reductions achieved in CERT to date, including carryover. This equates to 67% of the extended target of 293 Mt CO_2.
- 43% 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.
- 9 Mt CO_2 achieved towards the new Insulation Obligation (IO) target of 73.4 Mt CO_2 (13%).

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 293 Mt (lifetime) CO_2 by 31 December 2012.
- 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.

The CERT Update is based on estimated data provided to Ofgem by obligated energy suppliers. Ofgem recognises the importance of the CERT Update in keeping industry and other stakeholders informed about progress in the programme. We carry out checks on the data, liaising with the suppliers over unexpected data points or trends.

For clarity, this estimated data is not calculated in the same way as the data used to determine compliance with suppliers' CERT obligations. Ofgem takes the accuracy of compliance reporting seriously.

Unfortunately, after the publication of Issue 12 in June this year, it was brought to our attention that incorrect lighting figures had been reported to us by one supplier. As a result, we have obtained revised estimates, which are republished here. This error affected both measure numbers and carbon savings data for lighting, it also affects the total reported progress under CERT to date.

The original publication of Issue 12 showed that suppliers had, to date completed an estimated 67.55% of the CER target, the republished version shows an estimated 67.35% (rounded to 67%) progress toward the target.

Despite this data not being used for compliance purposes, we are concerned that there have been errors and are continuing to liaise with suppliers to prevent this happening in the future.

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	1,582,612
	Loft insulation (excluding DIY)	2,021,562
	Solid wall insulation	39,672
Heating	Fuel switching	70,040
Lighting	CFLs	297,003,045[2]
Microgeneration	Heat pumps	5,498
	Solar water heating (m^2)	2,046
	Small scale CHP	1
Behavioural	Real Time Displays	2,256,281
	HEA's	28,571

[2] Figure published in original Q12 publication was 301,205,329

Table 1 shows the cumulative number of measures delivered by suppliers up to and including the twelfth quarter (ending March 2011) of CERT, excluding measures carried over from EEC2. This now includes those installed under the Insulation Obligation (IO) and within the Super Priority group (SPG). More information regarding IO and SPG progress will be available in the CERT Annual report.

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 cumulative from the beginning of CERT.

All insulation measures have continued to increase, with significantly more cavity wall insulation measures (12% increase) and loft insulation measures (15% increase) being reported. This is partly due to this being the first time that suppliers have reported IO and SPG activity, with a combined total of 479,000 of the professional insulation measures in table 1 having been installed under these sub-targets to date. In addition, 71 million m^2 of DIY loft insulation has been distributed through retail outlets.

(continued overleaf)

(Number of Measures Delivered continued)

Reported numbers of heat pumps and solar water heating measures have risen sharply this quarter. Solar water heating has more than doubled since last quarter from 791m^2 to 2,046m^2. This increase is partly as a result of increased distribution and partly due to revised data becoming available. However, heat pumps remain the dominant microgeneration measure with a total of 5,498 installations - up 1,209 from 4,289 last quarter.

CFLs have been ineligible in CERT since 31st March, making this the last reporting period for CFL activity. Numbers have risen from 276 million lamps at the end of December to 297 million at the end of March. Whilst this increase of 21 million bulbs is the second highest increase in the past 12 months, this does not necessarily indicate a high level of CFL distribution, but may partly be due to suppliers receiving more accurate information on sales and distribution as retailer relationships come to an end. In December 2010 suppliers were asked to conduct a monitoring exercise to establish the percentage of retail CFLs installed by householders. The information gathered from this may impact the final number of CFLs (and related savings) which are recorded in CERT.

Behavioural activity continues to increase. Around 2.26 million RTDs have now been distributed, an increase of 78% from the 1.27 million reported last quarter. This large increase is partly as a result of large RTD schemes being recently approved, leading to cumulative activity being reported this quarter for the first time. In addition to RTDs, 28,571 Home Energy Advice packages (HEAs) have been reported, an increase of 2,171.

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]

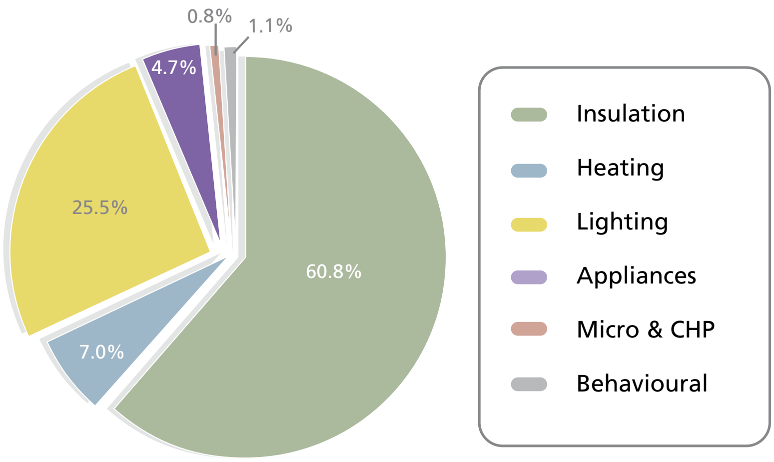
Chart 1 (above) shows the total 197 Mt CO_2 saved to target, which includes carryover from EEC2, split into each measure group. Overall the proportion of savings from the major sectors remains fairly stable.

Insulation remains the most prominent measure type, accounting for 60.8% (120 Mt CO_2) of savings including DIY and carryover from EEC2. However, the proportion of savings reported from insulation has decreased slightly from 61.4% due to large increases in other measure groups.

The proportion of savings attributed to lighting measures remains stable at 25.5%, accounting for 50 Mt CO_2 of total savings.[3]

Microgeneration, appliances, behavioural measures and heating account for the combined remainder of 13.6% - an increase from 12.7% last quarter. This increased percentage is predominantly accounted for by the growth of heating and behavioural savings.

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



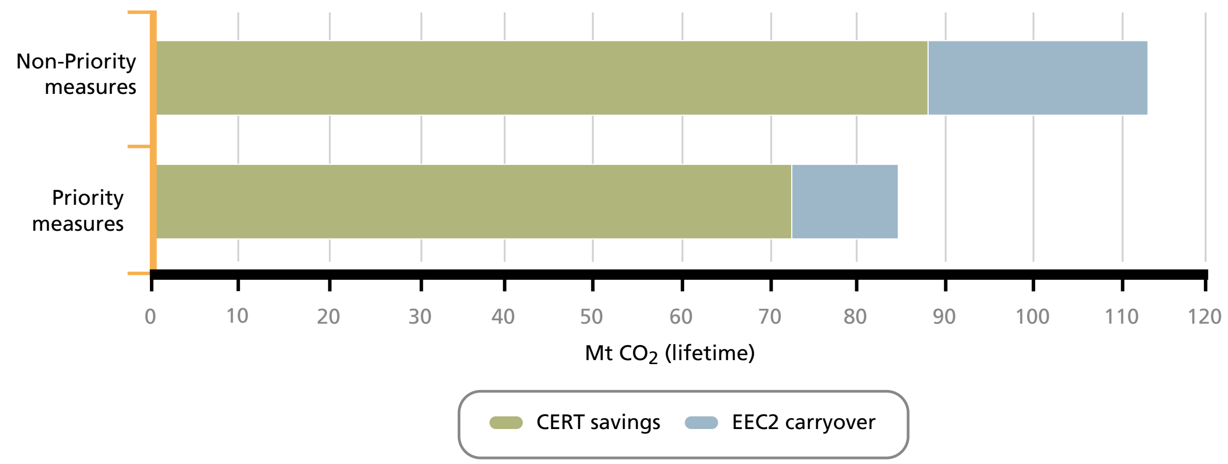
- Savings from heating measures, dominated by fuel switching activity (for example from oil to gas) and distribution of shower regulators, have increased from 11.8 Mt CO_2 at the end of last quarter to 14 Mt CO_2 - meaning the relative proportion of savings increased from 6.5% to 7.0%.
- The appliances sector includes white goods, consumer electronics and standby reduction devices. Reported savings from appliances have grown from 8.5 Mt CO_2 in the last quarter to 9.2 Mt CO_2. – the percentage of savings from appliances remains the same as the previous quarter at 4.7%.
- Savings from microgeneration have increased from 1.3 Mt CO_2 at the end of last quarter to 1.5 Mt CO_2, with the proportion of savings from microgeneration increasing slightly from 0.7% to 0.8%.
- Behavioural measures, comprising of both RTDs and HEAs, have increased from 1.4 Mt CO_2 at the end of last quarter to 2.2 Mt CO_2, increasing the portion of savings by behavioural measures from 0.8% of 1.1%. This increase was predominantly a result of increased RTD activity.

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.

[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. Final figures will be confirmed at the end of the scheme.

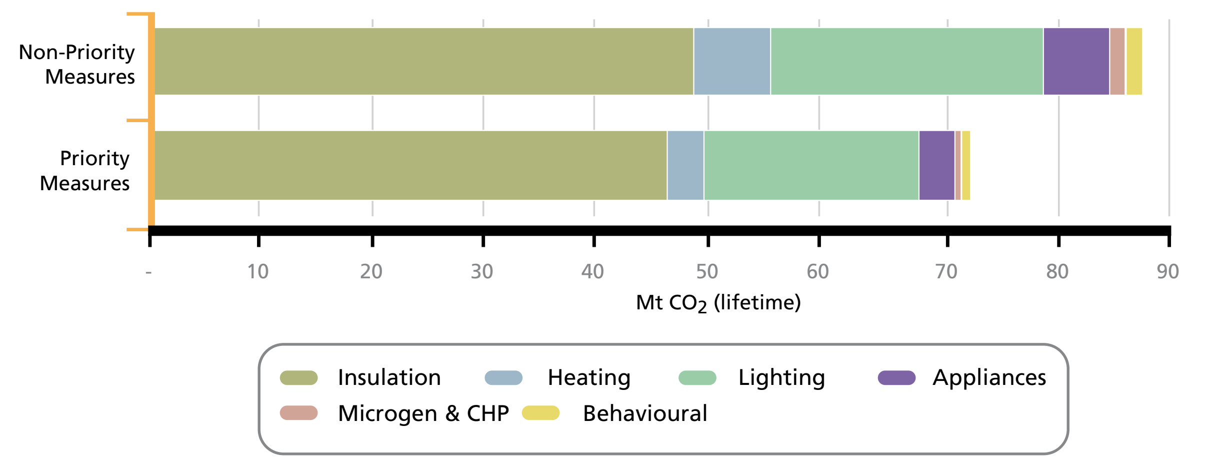
[3] Figure published in original Q12 publication was 51 Mt CO_2

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



To date, 197 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. Also included within the PG and nPG data this quarter are the savings from SPG and IO activity. 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. Similarly to Chart 2, IO and SPG savings have been included in the PG and nPG data this quarter.

In total, excluding carryover, priority group savings rose by 14.3% while nPG savings rose by 8.3% in this quarter. Last quarter's reporting showed that cumulative savings from both priority and non-priority group activity were increasing at a similar rate. While this quarter showed similar changes across most measures, savings from some priority group measures increased at a faster rate than those from the non-priority group.

For example, whilst the increase in total lighting savings remains stable, PG lighting increased sharply by 19.5% whilst nPG only rose by 1.8%. This change in the relative PG / nPG savings is not primarily because activity has changed. Instead, this is due to an alteration in the way that savings have been divided between PG and nPG after one supplier received additional customer research information about the relative numbers of consumers.

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 this, in February 2011 Ofgem published version 3 of the CERT Supplier guidance, taking into account the alterations. Some notable additions are detailed below:

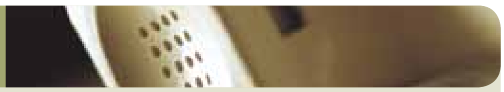
- The Insulation Obligation has now been included.
- The Super Priority Group Obligation has now been included
- Legislative changes which took place on 31 March 2011 have been included in the appendices.

The 7 January 2011 saw the deadline for responses to the DECC consultation 'CERT - the role of appliances and consumer electronics in CERT'. The document proposed several key principles against which measures promoted under CERT should be assessed:

- confidence that carbon savings are realised
- avoidance of deadweight (i.e. measures that would have been promoted and taken up through natural market transformation)
- focus on the non-traded sector
- positive impact on vulnerable households; and
- contributes towards scheme transparency.

DECC indicated that any product lacking under the above criteria is likely to face restrictions. The final decisions from DECC regarding this consultation will be published in due course.

CERT team contact details



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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.