ofgem E-Serve

Carbon Emissions Reduction Target Update

Issue 14 / December 2011

Quarter 14 Headlines

- 218.7 Mt (lifetime) CO_2 emissions reductions achieved in CERT to date, including EEC2 carryover.
- This equates to 75% of the extended target of 293 Mt (lifetime) CO_2, 74% of the way through the programme.
- 43% of total savings to date are from the Priority Group.
- 62% of total savings to date are from insulation (including DIY loft insulation).
- 24% of total savings to date are from lighting.
- 23.2 Mt (lifetime) CO_2 achieved towards the new Insulation Obligation (IO) target of 73.4 Mt (lifetime) CO_2 (32%).
- 2.6 Mt (lifetime) CO_2 achieved towards the new Super Priority Group (SPG) obligation target of 16.2 Mt (lifetime) CO_2 (16%).

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 (PG).
- 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 Insulation Obligation or 'IO').
- The Priority Group includes those aged 70 and over and those on qualifying benefits.
- The Super Priority Group (SPG) is 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. Ofgem carries out checks on this data, liaising with the suppliers to ensure data is robust. Figures within this update represent estimated, cumulative activity and are not fully approved, finalised figures.[1]

Table 1

	Measure type	Number of measures
Insulation	Cavity wall insulation	1,807,225
	Loft insulation (excluding DIY insulation)	2,381,160
	Solid wall insulation	42,076
Heating	Fuel switching	78,387
Lighting	Compact Fluorescent Lamps (CFLs)	306,452,677
Microgeneration	Heat pumps	6,576
	Solar water heating (m^2)	3,091
	Small scale Combined Heat & Power (CHP)	1
Behavioural	Real Time Displays (RTDs)	2,333,739
	Home Energy Advice Packages (HEAPs)	28,571

Table 1 shows the cumulative number of measures delivered by suppliers up to and including the fourteenth quarter (ending September 2011) of CERT, excluding measures carried over from EEC2. This includes those installed under the IO and within the SPG.

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 are a slight underestimation of the actual activity achieved to date. Furthermore, Table 1 contains key measures only, and does not represent the full breadth of CERT activity. Figures contained in this update are reported to Ofgem cumulatively from the beginning of CERT.

The total number of reported cavity wall insulation, loft insulation and solid wall insulation measures has continued to increase this quarter. In quarter cavity wall and loft insulation activity appears to be higher than the same period last year. However, during this same period last year some suppliers were submitting new IO and SPG schemes, many of these would not have been approved and the activity not reported at the time of the quarterly report.

As well as professionally installed insulation measures, an additional 78 million m^2 of DIY loft insulation been distributed through retail outlets.

Heat pumps are the leading microgeneration measure, with a total of 6,576 measures installed to date (compared with 6,562 last quarter) - the level of activity has slowed since they became eligible only under the SPG obligation. There was a decrease in the reported volume of solar water heating activity, from 3,129 m^2 reported last quarter, to 3,091 m^2 this quarter. This was due to one supplier receiving more accurate installation data from a delivery partner.

(continued overleaf)

[1] Final figures will be confirmed at the end of the scheme, during compliance checks. Where numbers provided in the tables and charts of this update do not exactly match those cited in the text it is due to rounding.

(Number of Measures Delivered continued)

To date, a total of 306.5 million CFLs have been distributed, compared to 300.6 million reported last quarter. While CFLs have been ineligible in CERT since 31 March 2011, this 5.9 million increase in CFL measures is as a result of some suppliers receiving finalised sales data from retail partners. In December 2010 suppliers were asked to conduct a monitoring exercise to establish the percentage of retail CFLs installed by householders. In November 2011 Ofgem wrote to all suppliers, outlining the decision on the volume of CFLS (and related savings) sold between January and April 2011 that would be disregarded under CERT – we are awaiting their response.

There has been a slight increase in the cumulative number of behavioural measures installed under CERT. A reported 47,000 RTDs were distributed in this quarter, a total of 2.3 million reported to date. The cumulative number of HEAPs reported has remained unchanged for three quarters, with a total of 28,571 distributed under CERT.

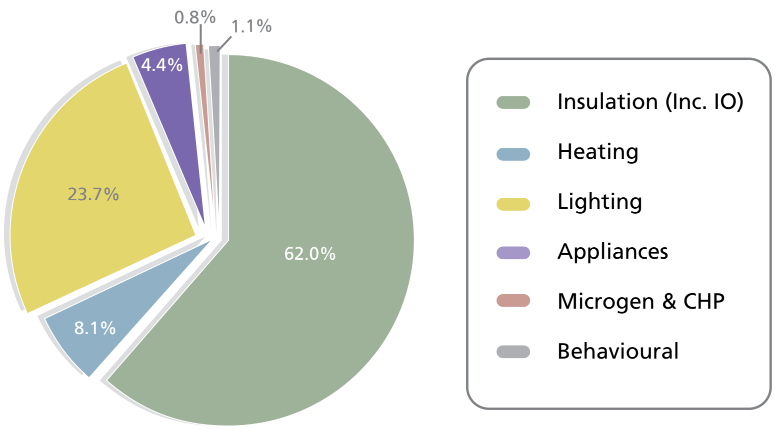
Carbon Savings Achieved

The six obligated energy suppliers update Ofgem every 3 months with their cumulative progress towards each of their carbon emissions reduction obligations. Ofgem carries out checks on the data, liaising with the suppliers to ensure data is robust. In the following analysis, this is summarised and broken down into carbon saving measures and PG / nPG status. Figures within this update represent estimated, cumulative activity and are not fully approved, finalised figures.[1]

Chart 1 (above) shows the total 218.7 Mt CO_2 saved to date, which includes 37.8 Mt CO_2 carryover from EEC2, split into each measure group. Overall the proportion of savings from the major sectors remains fairly stable compared to last quarter.

Insulation remains the most prevalent measure type, accounting for 62.0% (135.6 Mt CO_2) of carbon savings, including DIY loft insulation - increasing slightly from 61.7% last quarter. Overall carbon savings from insulation measures have increased by 6% since last quarter, however savings attributed to the Insulation Obligation have increased by 60% - reflecting suppliers' focus on the extension obligations.

Chart 1: Total CO_2 savings by measure type (including EEC2 carryover)



The proportion of savings attributed to lighting measures is 23.7%, accounting for 51.79 Mt CO_2 of total savings, up from 50.9 Mt CO_2 last quarter. With CFL measures no longer eligible under CERT, the increase in total savings is primarily due to some energy suppliers receiving finalised sales data from retail partners.

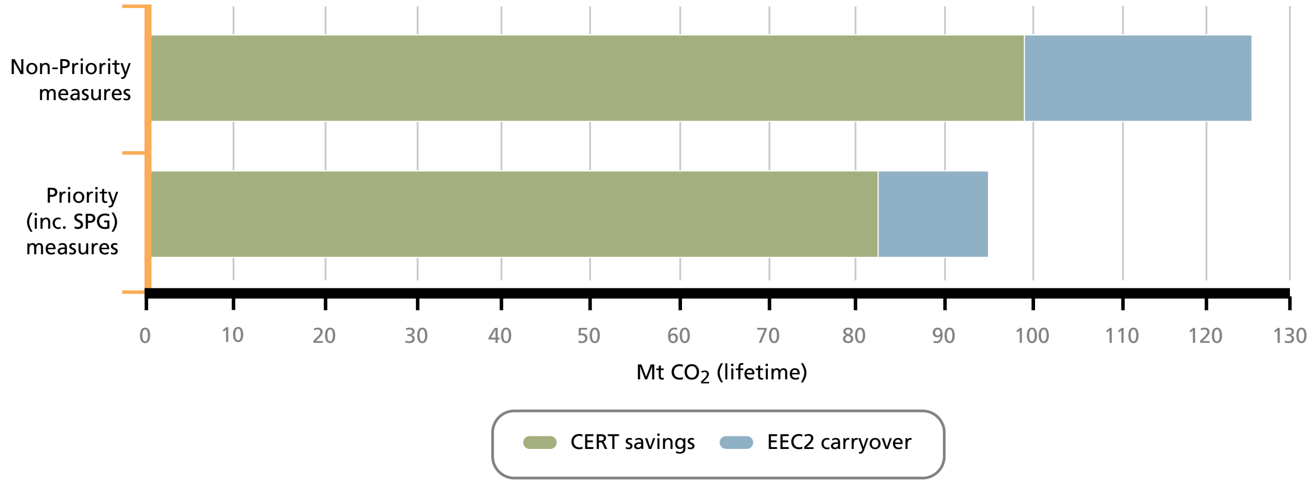
Microgeneration, appliances, behavioural and heating measures account for the combined remainder of 14.3% - increasing from 13.7% last quarter.

- Savings from heating measures, dominated by fuel switching activity (for example from oil to gas) and distribution of shower regulators, have increased from 15.2 Mt CO_2 at the end of last quarter to 17.8 Mt CO_2, and the relative proportion of savings increased from 7.3% to 8.1%.
- The appliances sector includes white goods, consumer electronics and standby reduction devices. Reported savings from appliances have grown from 9.4 Mt CO_2 in the last quarter to 9.6 Mt CO_2 this quarter, whilst the percentage of savings from appliances decreased slightly from 4.5% to 4.4%.
- Savings from microgeneration have decreased from 1.7 Mt CO_2 at the end of last quarter to 1.6 Mt CO_2, with the proportion of savings from microgeneration remaining at 0.8%. This was due to one supplier receiving more accurate installation data from a scheme partner.
- Behavioural measures, comprising both RTDs and HEAPs, have remained at 2.3 Mt CO_2[II], with the proportion of total savings attributed to behavioural measures remaining at 1.1% for three consecutive quarters.

Demonstration actions (DAs) allow suppliers to get a carbon return for approved financial investment in trials of innovative measures. These actions are not usually reported in the update as DAs savings are realised as a 'lump sum' when the trial is finished, based on suppliers' investment. This quarter, we can report DA carbon savings of 15,625 tCO_2.

[II] The Quarter 13 report contained a typing error stating that 2.6 Mt CO_2 had been saved from Behavioural measures, this should have read 2.3 Mt CO_2.

Chart 2: CO_2 savings achieved in the Priority and non-Priority Groups (including EEC2 carryover)



To date, 219 Mt CO_2 savings have been achieved towards the CER target of 293 Mt CO_2. **Chart 2** shows how these reductions in carbon emissions have been achieved in the PG and nPG groups, broken down by CERT activity and EEC2 carryover. The data includes SPG and IO activity.

For the second consecutive quarter, 43% of all savings have been achieved through PG activity, exceeding the CERT requirement for 40% of all savings to be achieved through PG installations.

Chart 3: CO_2 savings by measure type delivered to Priority and non-Priority Groups (excluding EEC2 carryover)

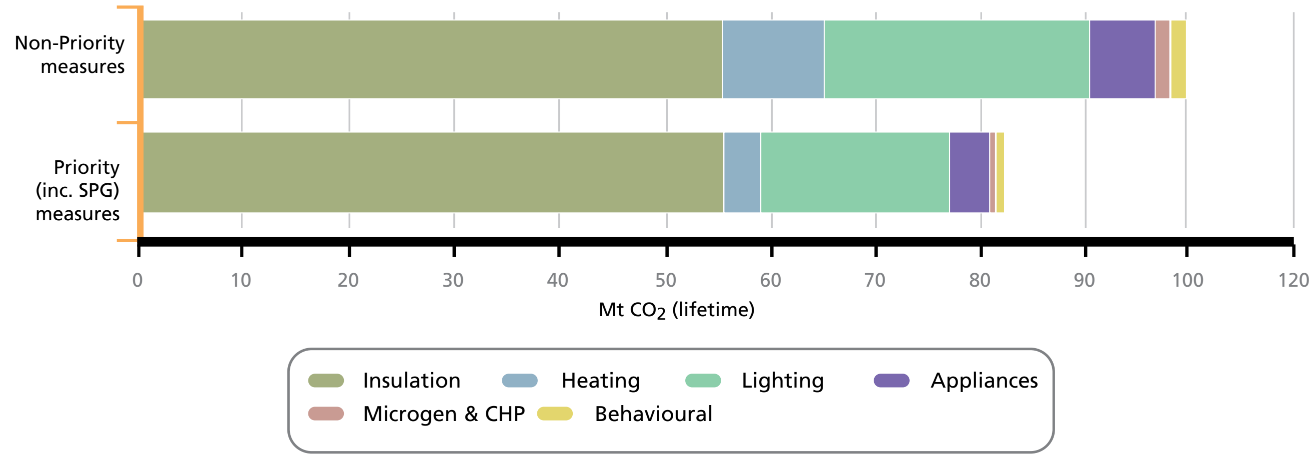


Chart 3 shows carbon savings since the beginning of CERT, split by measure type and PG / nPG status. The chart excludes carbon savings carried over from EEC2. As with Chart 2, IO and SPG savings are included in the data.

In total, PG and nPG savings, excluding EEC2 carryover, rose by 7.1% and 6.3% respectively. In quarter savings increase from most measures remain fairly equally split between PG and nPG, however savings from heating measures increased at a greater rate across the PG (which includes SPG activity) than the nPG.

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