Carbon Emissions Reduction Target Update

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Issue **15**

Quarter 15 Headlines

- 229.0 Mt (lifetime) CO_2 emissions reductions achieved in CERT to date, including EEC2 carryover.
- This equates to 78% of the extended target of 293 Mt (lifetime) CO_2, 79% of the way through the programme.
- 43% of total savings to date are from the Priority Group (PG).
- 63% of total savings to date are from insulation (including DIY loft insulation).
- 22% of total savings to date are from lighting.
- 30.5 Mt (lifetime) CO_2 achieved towards the new Insulation Obligation (IO) target of 73.4 Mt (lifetime) CO_2 (42%)
- 3.6 Mt (lifetime) CO_2 achieved towards the new Super Priority Group (SPG) obligation target of 16.2 Mt (lifetime) CO_2 (22%)

The CERT Programme:

- CERT is the government's main domestic energy efficiency instrument.
- DECC is responsible for the policy. Ofgem administers the programme.
- The CERT target is to achieve 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) CO2 (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 these data, liaising with suppliers to ensure data is robust. Figures within this update represent estimated, cumulative activity and are not fully approved, finalised figures.[i]

Table 1 shows the cumulative number of measures delivered by suppliers up to and including the fifteenth quarter (ending December 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.

Table 1

	Measure type	Number of measures
Insulation	Cavity wall insulation	1,933,868
	Loft insulation (excluding DIY insulation	2,613,690
	Solid wall insulation	45,145
Heating	Fuel switching	81,798
Lighting	Compact Fluorescent Lamps (CFLs)	303,522,721
Microgeneration	Heat pumps	6,576
	Solar water heating (m2)	3,091
Behavioural	Real Time Displays (RTDs)	2,401,212
	Home Energy Advice Packages (HEAPs)	28,571

The total number of reported cavity wall insulation, professional loft insulation and solid wall insulation measures has continued to increase this quarter, with more of each being installed in this quarter than in the same quarter last year (a 52% in quarter increase across all insulation measures).

(continued overleaf)

[i] 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)

As well as professionally installed insulation measures, an additional 86 million m2 of DIY loft insulation has been distributed to date through retail outlets.

Heat pumps remain the leading microgeneration measure, with a total of 6,576 measures installed to date - however, reports show no heat pumps were installed in this quarter. There was also no reported in-quarter solar water heating activity, with 3,091 m^2 reported to date.

To date, a total of 303.5 million CFLs have been distributed, compared to 306.5 million reported last quarter. This reduction follows the decision to award carbon savings for only 89% of the CFLs distributed between 1 January and 31 March 2011, to take into account the findings of a customer utilisation survey.

There has been an increase in the cumulative number of behavioural measures installed under CERT. A reported 67,473 RTDs were distributed in this quarter, and a total of 2.4 million reported to date. The cumulative number of HEAPs reported has remained unchanged, with a total of 28,571 distributed under CERT.

Carbon Savings Achieved

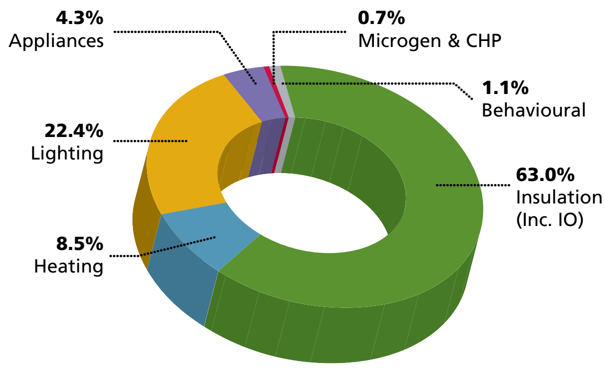
The six obligated energy suppliers update Ofgem every 3 months with their cumulative progress towards each of their carbon emissions reduction obligations. Ofgem carries out checks on the data, liaising with the suppliers over unexpected data points or trends. In the following analysis, this is summarised 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.[i]

Chart 1 shows the total 229.0 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 contributes the greatest volume of Carbon savings, accounting for 63.0% (144.4 Mt CO_2) of carbon savings, including IO and DIY loft insulation (which does not qualify under IO). Overall carbon savings from insulation measures have increased by 6% since last quarter while savings attributed to the Insulation Obligation have increased by 32%, reflecting suppliers' focus on the extension obligations.

The proportion of savings attributed to lighting measures is 22.4%, accounting for 51.36 Mt CO_2 of total savings, down from 51.79 Mt CO2 last quarter. This reflects the decision to award only 89% of CFL carbon savings achieved in the first quarter of 2011.

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



Microgeneration, appliances, behavioural and heating measures account for the remaining 14.5% of carbon savings - increasing from 14.3% 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 17.8 Mt CO_2 at the end of last quarter to 19.4 Mt CO_2, and the relative proportion of savings increased from 8.1% to 8.5%.
- The appliances sector includes white goods, consumer electronics and standby reduction devices. Reported savings from appliances have grown from 9.6 Mt CO_2 in the last quarter to 9.8 Mt CO_2 this quarter, whilst the overall percentage of savings from appliances decreased slightly from 4.4% to 4.3%.
- Savings from microgeneration and CHP have remained at 1.6 Mt CO_2, with the proportion of savings from microgeneration decreasing from 0.8% to 0.7%.
- Behavioural measures, comprising both RTDs and HEAPs have saved 2.4 Mt CO_2 to date (increasing from 2.3 Mt CO_2 last quarter) , with the proportion of total savings attributed to behavioural measures remaining at 1.1%.

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 DA savings are realised as a 'lump sum' when the trial is finished, based on suppliers' investment, and savings are not estimated in the interim. However this quarter, following the completion of a trial, we can report DA carbon savings of 15,625 tCO_2.

To date, 229 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 non-PG, broken down by CERT activity and EEC2 carryover. The data includes SPG and IO activity.

For the third consecutive quarter, 43% of all savings have been achieved through PG activity, exceeding the CERT target of 40%.

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

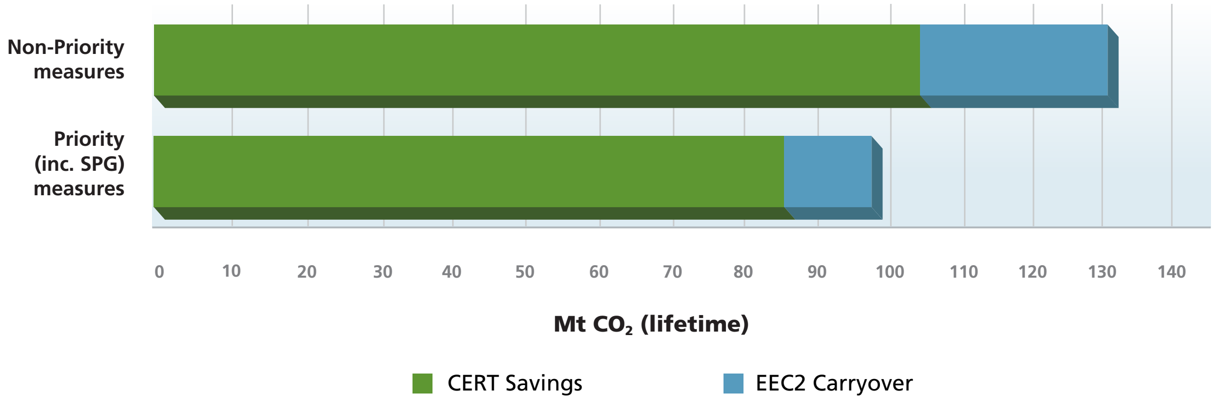


Chart 3: CO_2 savings by measure type delivered to Priority and non-Priority Groups (excluding EEC2 carryover)

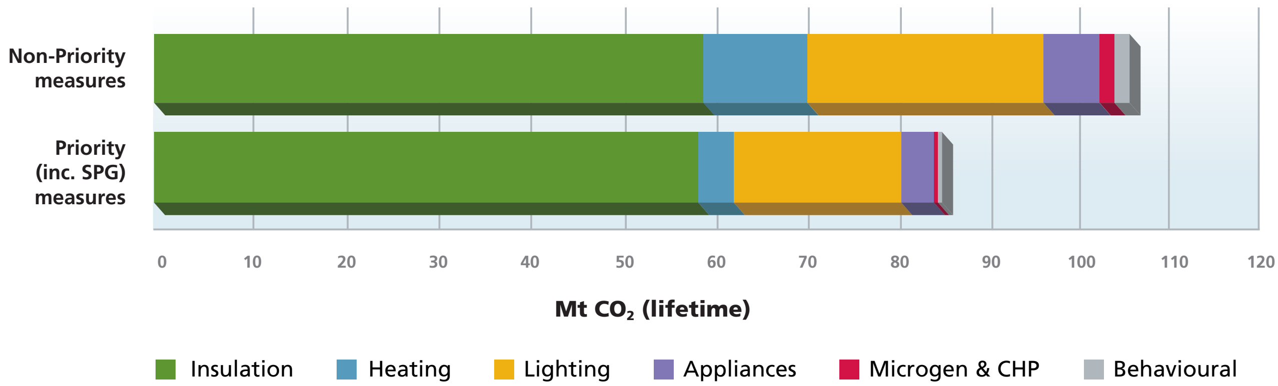
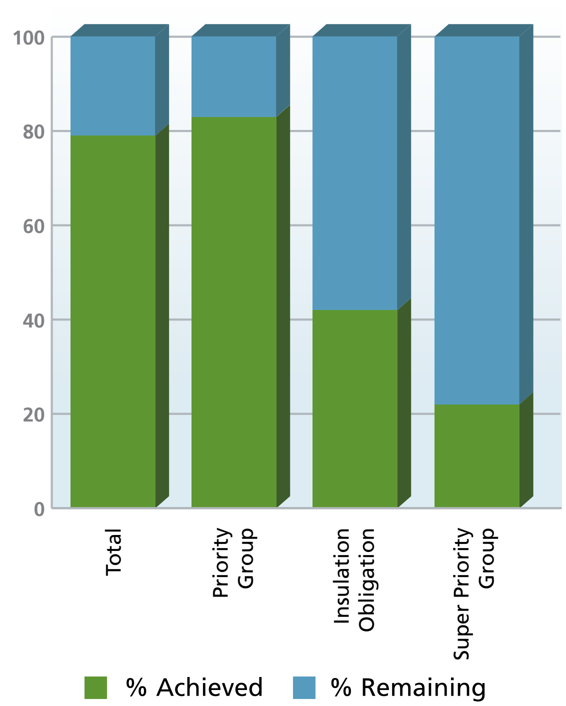


Chart 3 shows carbon savings since the beginning of CERT, split by measure type and PG / nPG status. The chart excludes carbon savings carried over from EEC2. As with Chart 2, IO and SPG savings are included in the data.

As we enter the final months of CERT there is an increasing focus on the work required for suppliers to achieve their targets. **Chart 4** shows the progress made towards the CERT overall and sub obligations up to 31 December 2011. While 78% of the overall obligation has been completed, the full obligation cannot be achieved without also achieving the Insulation, Super Priority Group and Priority Group Obligations. Combined, suppliers have completed 84% of their PG obligation, 42% of their IO obligation and 22% of their SPG obligation. Progress against the Priority Group obligation has slowed this quarter because suppliers are ahead of the requirement to meet 40% of their savings from the Priority Group. This has caused progress towards the overall CERT obligation to slow as well. It is worth noting that while the CERT obligation has been running since 2008, the IO and SPG extension obligations were not included until more recently.

Chart 4: Percentage of CERT overall and sub obligation targets achieved to date



Policy developments

Compact Fluorescent Lamps (CFLs)
Following a monitoring exercise of the number of CFLs sold between 1 January and 31 March 2011 and the volume that have been or are likely to be installed before the end of CERT, Ofgem determined that 89% of all CFLs (and associated savings) promoted during this period to be counted under CERT.

The adjustments have now been made by all suppliers and are reflected in this update.

Customer Number Threshold
Under CERT an energy supplier becomes obligated if the number of customers they supply is above a pre-determined threshold. As of the end of December 2011 this threshold has been increased from 50,000 to 250,000 customers.

DECC introduced the change to encourage increased competition within the retail energy market, reducing burdens on small energy suppliers who, under the previous threshold, may have become obligated in the final 9 months of CERT.

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or visit our website **www.ofgem.gov.uk/cert.**
The website contains the contact details for those suppliers with a CERT obligation.