

Carbon Emissions Reduction Target

Update

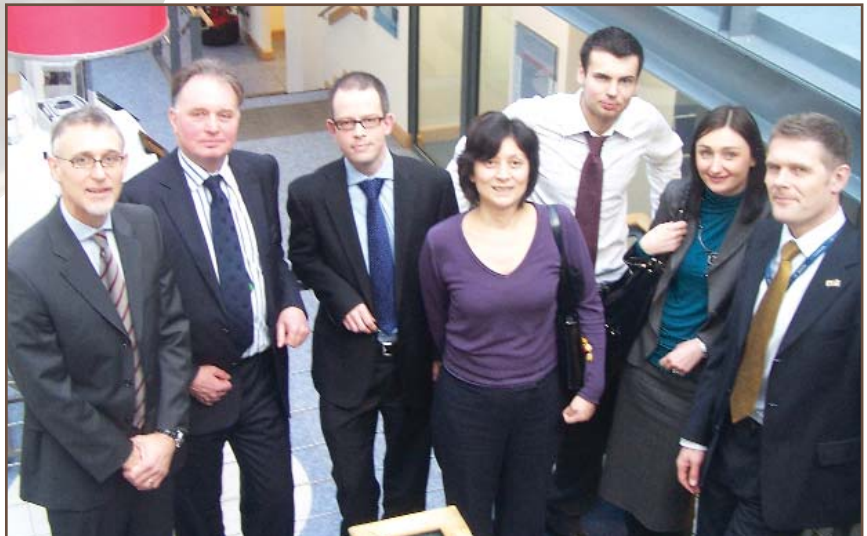
Issue 3/February 2009

Quarter 3 Headlines:

- 38.0 Mt CO₂ emissions reductions achieved during the CERT period.
- 75.8 Mt CO₂ achieved to target (includes carryover) This equates to 49% of the CERT target.
- 45% of savings to target are from the Priority Group.
- 62% of savings to target are from insulation.
- 30% 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.
- CERT target is 154 Mt (lifetime) CO₂ (roughly double the EEC2 target)
- 40% of the obligation to be met in the Priority Group
- The Priority Group includes those aged 70 and over and those on qualifying benefits
- Market transformation action – uplifted savings for new measures, solid wall insulation and micro CHP
- Priority Group flexibility mechanism – uplift for ground source heat pumps and solid wall insulation in low income hard to treat homes (as defined in the legislation)
- Demonstration action – credit given (based on expenditure) for trials of new measures or consumer reactions



Ofgem CERT visit to Worcester boiler manufacturers. From left: Carl Arnstzen, Neil Schofield, Steve McBurney, Sue Corbett, Alex Duffield, Urszula Kulpinska, Russell Dixon

Numbers of measures delivered so far during CERT

Table 1

	Type	No
Insulation	Cavity wall	401,707
	Loft insulation	405,179
	Solid wall insulation	7,161
Heating	Fuel switching	10,593
Lighting	CFLs	120,665,853
Microgeneration	Heat pumps	440
	Solar water heating	186

Table 1 above shows the number of measures delivered by suppliers through CERT in the first 3 quarters of the programme.

It is important to note that these data are for approved supplier schemes only and do not cover those currently going through the approval process (suppliers often begin delivery before a scheme is approved if they are confident that the scheme will be awarded approval).

Hence the figures in table 1 are a slight underestimate of the actual activity achieved to date.

Approximately 83 per cent of the CFLs delivered to date have been through direct (free or mail order) schemes with the remainder delivered via retail. This percentage is slightly lower than the 89 per cent that were provided via direct routes in quarters 1 and 2. Ofgem has a duty to ensure, as far as possible, that

(continued overleaf)

(Numbers of measures delivered so far during CERT continued)

measures provided through CERT are being used and are therefore leading to carbon savings. We will look at how we administer the delivery of CFLs under the CERT programme, and in particular those delivered via unsolicited mail-outs. If appropriate these issues will be highlighted in the CERT+ Supplier Guidance consultation.

Loft and cavity installation numbers have almost doubled since last quarter. Solid wall insulation has continued to be installed steadily, increasing from just over 5,000 measures in quarter 2.

As the quarter 3 figures represent activity in October-December, this is unsurprising as the demand for insulation and heating measures usually peaks during the heating season as consumer demand increases. The number of heat pumps installed has increased by nearly six times from a low level in the previous quarter, and the first solar water heating systems to be installed under the programme have been reported.

Chart 1: Proportion of insulation measures delivered to the end of Q3

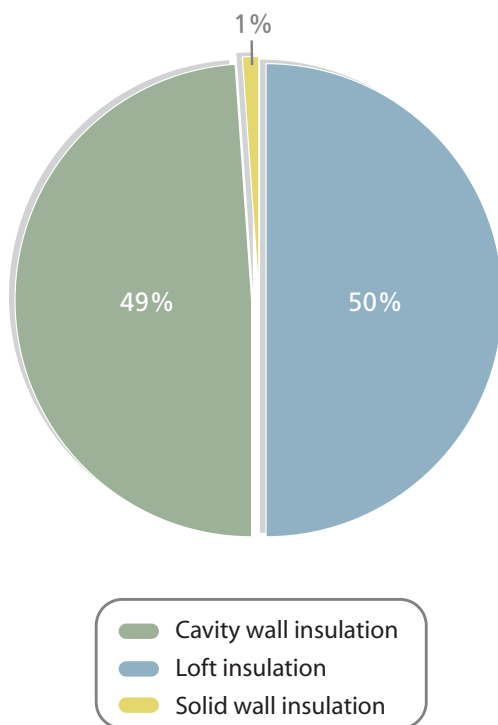


Chart 1 shows the insulation delivered so far broken down into loft, cavity and solid wall. The proportion of loft has increased by a few percent since last quarter and the proportion of cavity wall has decreased slightly correspondingly. Solid wall still accounts for 1 per cent of insulation delivered through approved schemes.

Chart 2 shows the reduction in carbon dioxide emissions by measure type and Priority status as tonnes of CO₂. These figures exclude carry over from the EEC2 programme, so represent only what has been delivered during the CERT period.

It can be seen that more activity has been undertaken in the Priority Group during the CERT period, with this accounting for 21.5 million tonnes of carbon dioxide emissions. The non Priority group activity currently accounts for 16.5 million tonnes of carbon dioxide emissions. The pattern of activity is very similar in

both groups, with a slightly greater proportion of savings delivered through insulation schemes in the Priority Group than the non Priority Group. Appliances account for a slightly larger proportion of savings in the non Priority Group. Uptake is probably lower in this group because these measures tend not to be fully subsidised so are likely to be less attractive to the Priority Group.



Chart 2: CO₂ savings by measure type delivered to Priority and non-priority consumers (excluding carryover)

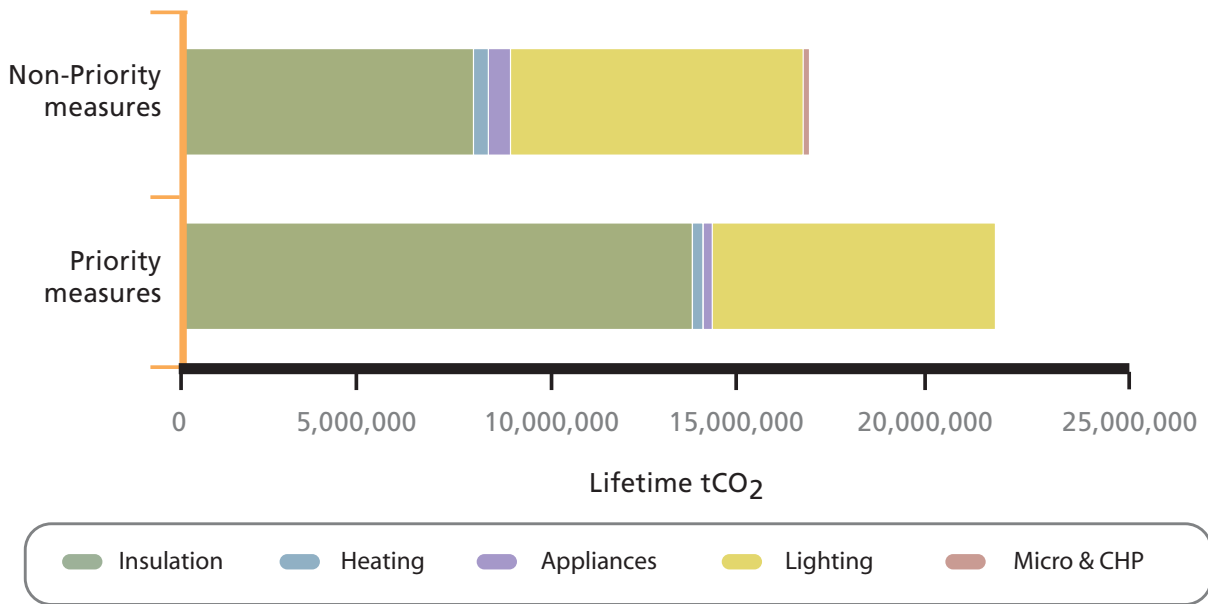


Chart 3: Total CO₂ savings by measure type including EEC2 carryover

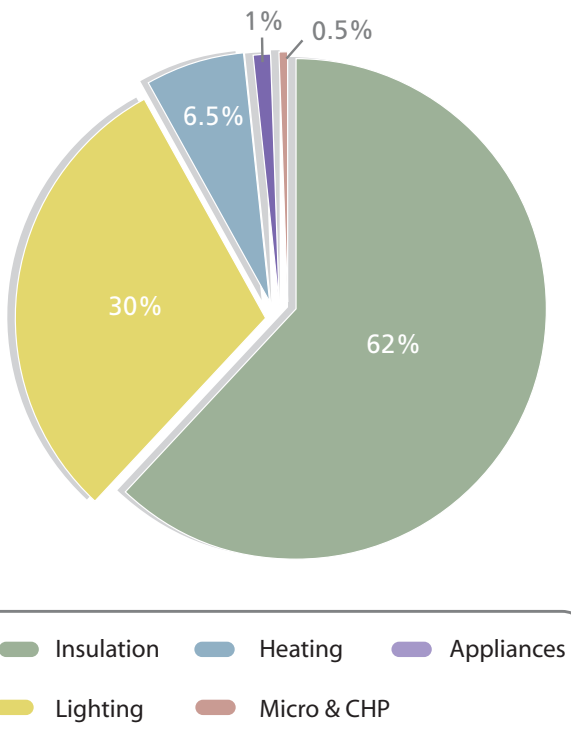


Chart 3 shows the proportion of emissions reduction from each measure category. Unlike the previous graphs, this displays savings to target which includes carryover.

Savings from lighting schemes account for a larger percentage than last quarter – 30 per cent compared to 27 per cent. This is due primarily to several large direct CFL schemes. As discussed earlier, Ofgem is looking at how it administers the delivery of CFLs under the CERT programme.

Although insulation and to a lesser extent heating activity has increased since last quarter, these measure types account for proportionally less of the savings than in quarter 2 primarily due to the increase in savings from lighting schemes. With an increased number of heat pumps and the first solar water heating systems being installed under CERT, the microgeneration category is still small but becoming more notable.

Policy developments

DECC has launched their consultation on changes to CERT and the structure of the proposed new CESP programme. Ofgem will amend the CERT supplier guidance in the light of these changes, and will consult on these changes after the CERT consultation has been published by DECC.

Early replacement of working G rated boilers has been under discussion for a while and has recently been approved by Ofgem as a CERT measure. These very inefficient boilers are often repaired when they go wrong, rather than being replaced (with a more efficient model), and so have remained in the housing stock. It is hoped that allowing suppliers to subsidise their replacement will help to speed up their removal. There are estimated to be approximately 4.5 million of these inefficient boilers in homes in

Great Britain. Suppliers replacing them will be accredited with CO₂ savings equivalent to replacing the G rated boiler with one of minimum standard efficiency, over a reduced lifetime of 6 years.

<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/InfProjMngrs/Pages/InfProjMngrs.aspx>

The Climate Change Act 2008 became law on 26th November 2008. One of the key provisions in the Act was to ensure a reduction in greenhouse gas emissions through action in the UK and abroad of at least 80 per cent by 2050, and reductions in CO₂ emissions of at least 26 per cent by 2020, against a 1990 baseline.

<http://www.defra.gov.uk/environment/climatechange/uk/legislation/provisions.htm>



Demonstration action

Suppliers can meet a proportion of their target through carrying out demonstration projects. These are trials of new types of measures or of customer reactions to information or measures which are reasonably expected to save carbon, but for which no quantified carbon reduction score currently exists. This mechanism is designed to encourage innovation by awarding a carbon score based on the level of investment. Demonstration action together with market transformation action is capped at 6 per cent of a supplier's total obligation (or 8

per cent where at least 2 per cent microgeneration is delivered).

Most of the energy suppliers have submitted demonstration action schemes to Ofgem – 8 in total. Two of these have been approved and are currently underway. One of the conditions of approval for demonstration actions is that the results are made public so that if the approaches or measures prove successful, they can be rolled out on a larger scale. The results will be published at the end of the trials.

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The contact details for those suppliers with a CERT obligation are available from Ofgem's website:

<http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/CERT/Pages/CERT.aspx>