

Joint UKBCSE and ERA submission to the Governments consultation on amendments to the Carbon Emission Reduction Target

Introduction

The UK Business Council for Sustainable Energy (UKBCSE) brings together the key players ^[1] in the energy sector to develop an effective dialogue with Government that can help strengthen the UK's strategic agenda for sustainable energy.

The Energy Retail Association (ERA) represents domestic energy suppliers in Great Britain with membership encompassing all the main electricity and gas retailers.

The UKBCSE and ERA welcome the opportunity to provide a joint response to the Government's consultation on amendments to the Carbon Emissions Reduction Target (CERT). This submission outlines the views shared by these organisations and energy companies, most of whom will also present their own views in more detail in individual responses to the consultation.

We believe that the effective delivery of the Carbon Emissions Reduction Target will continue to play a vital role in reducing household emissions in the UK. To date, energy suppliers have delivered a reduction of 75.8 Mt CO₂ through CERT and have successfully installed over 800,000 insulation measures¹.

Key points

Improving the nation's energy efficiency has an important role to play not only in stimulating new, green, investment and the delivery of the EU renewables target, but also in the alleviation of fuel poverty and the strengthening of the UK's security of supply. In this context we believe that the key actions that need to be taken forward in the light of this consultation are:

- *Extending CERT to 2012.* Companies have already indicated this would be consistent with the UK carbon budgets. We would recommend an extension of the *existing* CERT programme, with pro-rata extension of existing targets, rather than incurring the cost and administrative complexity of a separate programme.

^[1] Members of the Council include Centrica, EDF Energy, E.ON UK, National Grid, RWE npower, Scottish and Southern Energy, and Scottish Power.

¹ Ofgem Carbon Emissions Reduction Target update, February 2009

- *Increasing the innovation cap.* This will potentially enable energy companies to develop new services and technologies to help a broader range of householders, including those in hard-to-treat and rented properties.
- *Behavioural measures.* As the Government has highlighted, technologies such as Real Time Displays (RTDs) and advice delivered in the home have a significant and complimentary role to play alongside other 'harder' measures.
- *Improving the level of loft insulation.* There is a clear logic in improving existing levels of loft insulation, and to achieve this in the context of CERT the 'score' needs to be particularly attractive
- *Reporting.* Companies are currently providing data to the Home Energy Efficiency Database (HEED). The approach to fuller reporting now set out by the Government is broadly welcomed.

Target

Both the Energy Efficiency Commitment (EEC) and the first phase of CERT have seen energy companies broadly exceed their statutory targets. The 20% increase in the CERT target reflects this, the political context in which it emerged, and the companies' desire for legal underpinning.

Consideration now needs to be given to the way in which increasing CERT targets may impact on early delivery and future confidence in the mechanism for carry over.

Companies would welcome the opportunity to explore with Government how reassurance can be given that early action and delivery which is beyond compliance will be protected by carry over to any future schemes. It is felt that carry over is important as it mitigates against the stop start nature of this, and previous schemes, hence encouraging confidence in the supply chain for insulation and other products, and allows companies to respond to consumer demand.

Innovation

Encouraging innovation provides incentives for investment in new technologies and the cap allows flexibility to deliver cost effective carbon savings. We welcome and support the Government's proposal to increase the innovation cap from 6% to 10% whilst retaining a 2% cap for additional microgeneration activity.

Behavioural measures

Real Time Displays (RTDs)

Ministers have made clear that they are keen to see early roll out of RTDs. However, whilst companies favour a balance of activities across the CERT portfolio, companies continue to be concerned that, in the absence of an outcome from the current demand reduction trials and a Government decision on smart metering, these displays are not seen as an alternative to the roll out of fully operational smart meters that potentially offer a wider range of consumer benefits.

RTDs, it has been suggested, can offer the potential to build householder awareness of energy efficiency. It is also thought that RTDs are particularly useful when delivered with effective advice which may then result in greater energy savings, and the scoring could reflect this. At present the combined score for home energy advice and RTDs is 1.67 tCO₂, and we suggest that a slightly uplifted score of 1.8 tCO₂ should be awarded when they are delivered at the same time.

To ensure RTDs are used effectively, it is important that these are not sent out at random, but by request and that their use is clearly explained. We look forward to working with DECC to achieve this.

We agree that a baseline credit should be allocated for RTDs and more advanced technologies should be eligible for additional credits if further carbon savings can be shown. For example, where there is potential for RTDs to display additional information such as heating and hot water use, or be combined with other forms of advice.

As has already been noted, whilst Ministers have emphasised that RTD's have the potential to build householder awareness of energy efficiency, as smart meters are expected to replace RTDs in the future, it is important that a prompt decision is made on the timeframe for the introduction of smart meters, in order to allow for appropriate forward planning.

Home Energy Advice

Effective energy advice, delivered in the home, has generally proved successful in stimulating behavioural change and encouraging householders to undertake actions, appropriate to their property and circumstances. It is thought that households that receive advice will be more likely to undertake other energy efficiency measures, such as insulation. When delivered as a stand alone measure, home energy advice can be resource intensive.

We believe that the inclusion of energy advice in CERT will enable consumers to benefit from a potentially wide range of services which reflect the aspirations set out in the HES consultation. Indeed companies are already supporting more wide ranging approaches in particular areas, with partners

such as Local Authorities and the third sector, for example through Warm Zones, Community Warmth and Green Streets.

In terms of training of home energy advisors, companies are keen to have the opportunity to develop bespoke training packages. In the short term we suggest that the existing City & Guilds Level 2 NVQ in Advice and Guidance provides a way ahead and is consistent with standards for other energy advice providers, such as the Energy Saving Trusts Advice Centres (ESTACs). In the longer terms this might evolve into forms of accreditation that are potentially based on revised forms of the Domestic Energy Assessors (DEA) qualification.

Loft insulation

Improving the levels of existing loft insulation should clearly play a significant role in meeting the Prime Ministers declared ambition to have 6m households insulated by 2011 and all lofts and cavities done by 2015. However, given the way CERT operates, in order for the professionally installed “top up” of existing loft insulation to be attractive it would need to have a score that is broadly consistent with first time loft insulation.

We welcome, and companies are committed to, the voluntary code of practice that has been developed by the industry and Government to assess and monitor the uptake of DIY loft insulation and thereby avoid any potential double counting of carbon scores.

Reporting

Companies are already providing data to the Home Energy Efficiency Database (HEED). The Government has outlined a further, voluntary approach to fuller reporting on an area basis. Companies welcome this, noting that detailed data may not be available for all schemes, particularly where there are a variety of confidentiality agreements in place with partners.

All reporting should be consistent with reporting procedures for the new Community Energy Saving Programme. In addition, it would be useful if other key schemes such as Warm Front and Decent Homes provided data to HEED.

Timing

We agree that the extension of a CERT like programme to 2012 is a logical development, consistent with the UK carbon budgets. We recommend an extension of the *existing* CERT programme, rather than incurring the cost and administrative complexity of a separate programme, with pro-rata extension of existing targets. An interim programme from 2011 to 2012 would cause disruption and hamper delivery.

Clarity should be given this year, so that future programmes can be developed, including any changes required as a result of the phase out of

incandescent bulbs and the introduction of incentives for renewable heat and microgeneration.

Conclusion

We welcome the opportunity to provide input to the Government's consultation on changes to CERT, and recognise that reducing emissions from the housing sector is a vital task in which CERT has a role to play.

The Council, the ERA and energy companies will continue to work with Government to support their work in this area.

UK Business Council for Sustainable Energy and the Energy Retail Association
14 April 2009

The views expressed in this paper cannot be taken to represent the views of all parts of all the companies in the UKBCSE and the ERA. However, they do reflect a general consensus.