

# CARBON EMISSIONS REDUCTION TARGET (CERT)

## GEOHERMAL DRILLING CONFERENCE 30/04/2008

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# CERT 2008-11 – where we are now ?

- Extensive informal consultation since early 2006, statutory consultation in May 2007
- Constructive input from all sectors of the energy efficiency industry
- CERT Order approved by Parliament in January 2008
- CERT comes into force in April 2008.

# CERT objectives

- Energy suppliers must meet targets for reducing carbon emissions in the household sector in GB
- Primary aim to make a significant contribution to UK targets to cut CO<sub>2</sub> emissions
- Through priority group of low-income and elderly consumers, CERT will lift some people out of fuel poverty

## EEC so far

- EEC1 (2002-05) will deliver around 1.1MtCO<sub>2</sub> a year by 2010 and generated an estimated £600m investment in energy efficiency
- EEC2 (2005-08) expected to deliver around 1.8 MtCO<sub>2</sub> annually by 2010 and generate around £1.2bn investment in energy efficiency
- Suppliers achieved savings in excess of overall EEC2 target

# Scale of CERT target

- Overall target on all suppliers 154 million tonnes of carbon dioxide (MtCO<sub>2</sub>)lifetime
- Equivalent to annual net savings of 4.2 MtCO<sub>2</sub> by 2010
- Broad doubling of activity over EEC2

# CERT activity

- Measures to improve energy efficiency
- Microgeneration measures
- Biomass community heating and CHP
- Measures for reducing energy consumption

# HOW DOES IT WORK?

- Each energy supplier has a target of lifetime CO<sub>2</sub> savings to reach.
- The supplier can reach this target by any approved measure they wish.
- Each measure (eg insulation, ground source heat pump) has a lifetime CO<sub>2</sub> saving score attributed to it. These scores depend on the size and the heating system of the property in which it is installed.
- The system is administered by Ofgem.

# Priority group obligation

- Suppliers must focus at least 40% of carbon savings on the priority group
- Represents a 60% increase in activity aimed at low-income consumers under the EEC2



# Priority group composition

- Those in receipt of income-related and disability benefits
- Those in receipt of child tax credit or working tax credit, subject to income, or pension credit
- Those who are least 70 years old

# Innovation

- Government wants CERT to encourage and support innovation
- Two key approaches:
  - demonstration action
  - market transformation action

# Demonstration action

- To support trials of innovative activity where carbon savings cannot yet be attributed – for example behavioural measures
- Is an action “which is reasonably expected to promote a reduction in carbon emissions”
- Suppliers must provide Ofgem with detailed information about a proposed project, including its estimated cost

## Demonstration action (2)

- Ofgem will determine the nominal carbon savings to be attributed to the project using a translation factor based on the estimated cost of promoting and monitoring it (Cost divided by 18 gives lifetime tonnes of CO<sub>2</sub> to be credited)
- Since actual carbon savings will be uncertain, suppliers can meet no more than 6% of their CERT obligations by demonstration action

# Market transformation action

- Continues the EEC2 approach by providing a 50% uplift for innovative activity to which carbon savings can be attributed
- To ensure that innovative measures under EEC2 continue to be supported
- To encourage suppliers to bring forward new measures for CERT

## Market transformation action (2)

- Uplift applied to actions that were not promoted under EEC1 and which achieve a significantly greater reduction in carbon savings than similar actions
- Ground source heat pumps, and air source heat pumps are eligible for the market transformation uplift.
- Solid wall insulation and micro-CHP are specifically included
- To limit reduction in carbon savings, suppliers can meet no more than 6% of their CERT obligations by market transformation activity

# Innovation threshold

- Ring-fence of 6% applies to a combination of demonstration activity and market transformation activity – open to suppliers how they combine
- Where a supplier promotes microgeneration measures for at least 2% of its obligation, the overall ring-fence is increased to 8%

# Priority group flexibility

- CERT has a new option for suppliers to meet part of their priority group obligation. This will potentially increase the number of households removed from fuel poverty
- Suppliers can focus measures that are more likely to remove households from fuel poverty on those households that are more likely to be in fuel poverty



## Priority group flexibility (2)

- Measures receive an uplift, so more comparable to other PG measures to promote:
  - ground source heat pumps 245%
  - internal solid wall insulation 95%
  - external solid wall insulation 175%
- Solid wall insulation must lower the U-value of the walls to  $0.5\text{W}/\text{m}^2\text{K}$  or less

## Priority group flexibility (3)

- Households: ground source heat pumps can be promoted to private sector households off the gas grid; solid wall insulation to households on or off the gas grid
- For reasons of equity to all PG consumers, suppliers can use the flexibility option to meet no more than 12.5% of their PG obligation

# CERT AND GROUND SOURCE HEAT PUMPS (1)

- There is no target for any individual technology.
- Both individual and community ground source heat pumps are eligible for CERT support.
- The carbon saving score depends on the heating system displaced. Displacing electric or oil fired systems means a higher carbon score.

## CERT AND GROUND SOURCE HEAT PUMPS (2)

- Ground source heat pumps are eligible for a 50% uplift in their carbon score. (Market Transformation Activity).
- If suppliers choose to use the Priority Group Flexibility option, then a ground source heat pump installed under this option is eligible for a 245% uplift in score.

# For further information

- The Explanatory Memorandum to the CERT order can be found on the OPSI website:
- [http://www.opsi.gov.uk/si/si2008/draft/em/ukdsiem\\_9780110805306\\_en.pdf](http://www.opsi.gov.uk/si/si2008/draft/em/ukdsiem_9780110805306_en.pdf)

# Supplier Obligation

- DEFRA is currently looking at future policy in this area, notably the Supplier Obligation, which will run from 2011-2020.

# LIST OF SUPPLIERS

**British Gas**

**EdF**

**E.ON**

**Npower**

**Opus Energy**

**Scottish Power**

**Scottish & Southern**

**Telecom Plus**