

# The UK Supplier Obligation

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# Why the suppliers?

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- Energy suppliers have direct customer relationship with every household.
- Liberalised market – competition keeps costs down.
- Economies of scale
- Access to large upfront capital for procurement at scale

# How CERT works: the main players



UK Government



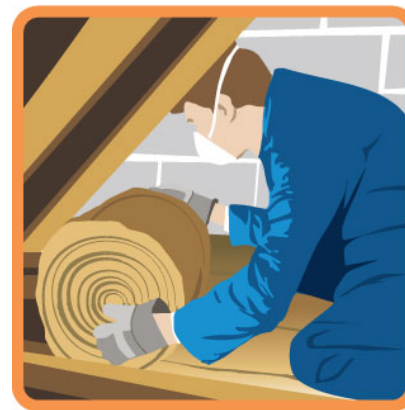
The administrator



ScottishPower



The suppliers



The installers

# How CERT works: supplier delivery



Suppliers design schemes to meet their targets



Marketing and Subsidies for measures



Suppliers have multiple delivery routes



Contracts with installers, Retailers, Local Authorities etc



## Verification

Installation Auditing (**5%**)



Potential **10%** Fine



Quarterly reporting (**3.5 million** homes)

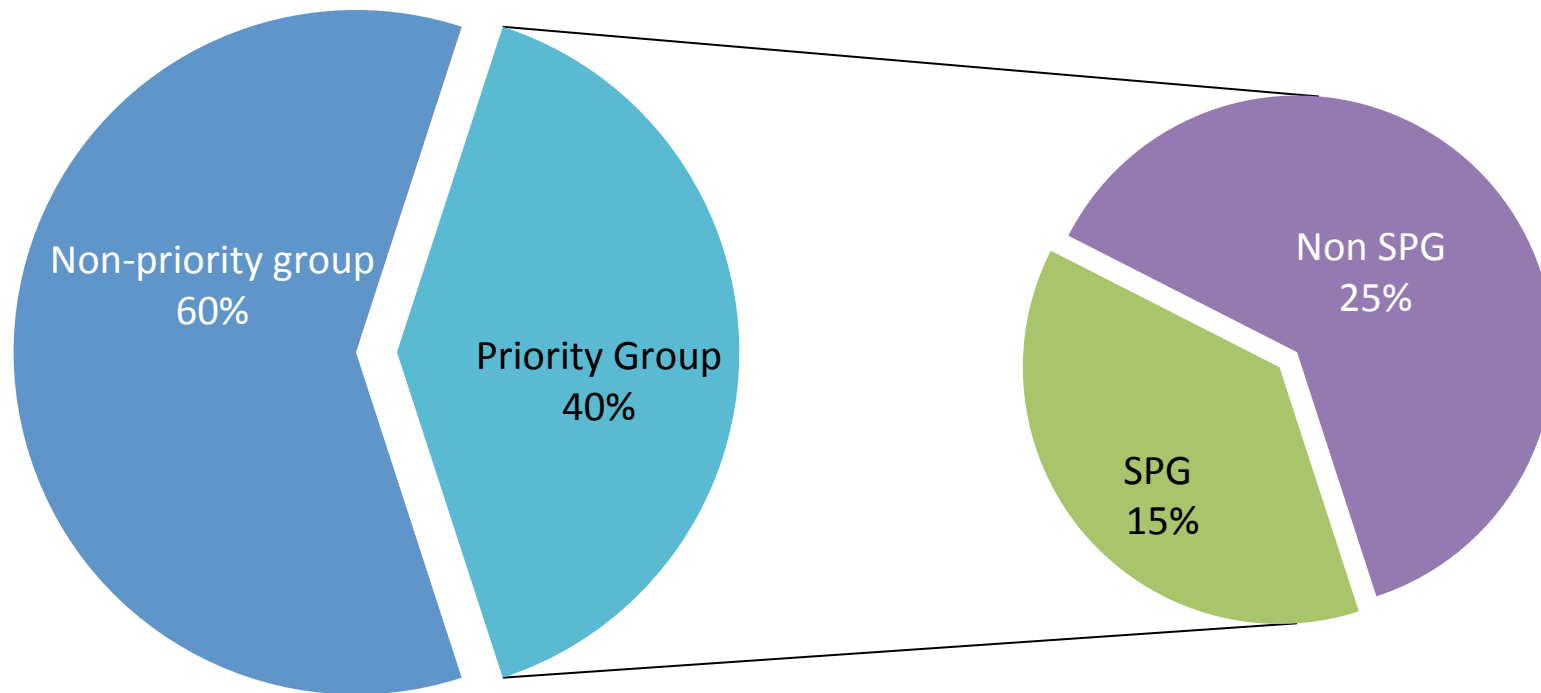
# How CERT works: Costs



- Scheme runs from April 2008 to December 2012.
- Estimated £5 billion will be invested by suppliers
- Suppliers may absorb some of these costs, but assumed that at least some costs passed onto energy bills.
- Estimated £45 Euros / year per household on bills

# Equity and Fuel Poverty

## Non-priority, Priority and Super Priority Groups



# What has been achieved?

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## **EEC 2002 - 2008:**

- 5 million households received insulation

## **CERT April 2008 – Sept 2010:**

- 170 MtCO<sub>2</sub> achieved
- >3m households received insulation
- 300 million CFLs distributed

# CERT delivery by end 2012

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- Almost 300 MtCO<sub>2</sub> (lifetime) by Dec 2012
- Annual savings of 8.3MtCO<sub>2</sub> by 2013.
- £22 billion overall societal benefit

....but this still leaves:

- ~5 million hard to treat wall cavities
- ~7 million solid walled homes



# Life after CERT Green Deal



- A regulatory framework enabling companies to offer businesses and householders:
  - accredited advice and recommendations
  - home energy efficiency improvements at no up-front cost
  - reassurance that installation work is of a high standard
  - the ability to pay via energy bills over the long term, making use of the money saved on fuel (bound by the Golden Rule)
  - Not a conventional loan and not secured against the property
  - Consumer protection - certain financial terms will be regulated
- Range of financial institutions & High Street Banks in discussions

# Life After CERT

## Energy Company Obligation

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- ECO is an obligation on the energy suppliers to support household energy efficiency
- Builds on strengths of existing CERT scheme.
- Designed to fit with the Green Deal landscape.
- Will commence at end of 2012.

# The role of the ECO

- There will be households for whom Green Deal finance is not ideally suited.
- ECO to integrate seamlessly with the Green Deal, with a focus on:
  - hard to treat properties; and
  - vulnerable and poor households.



**Thank you**

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