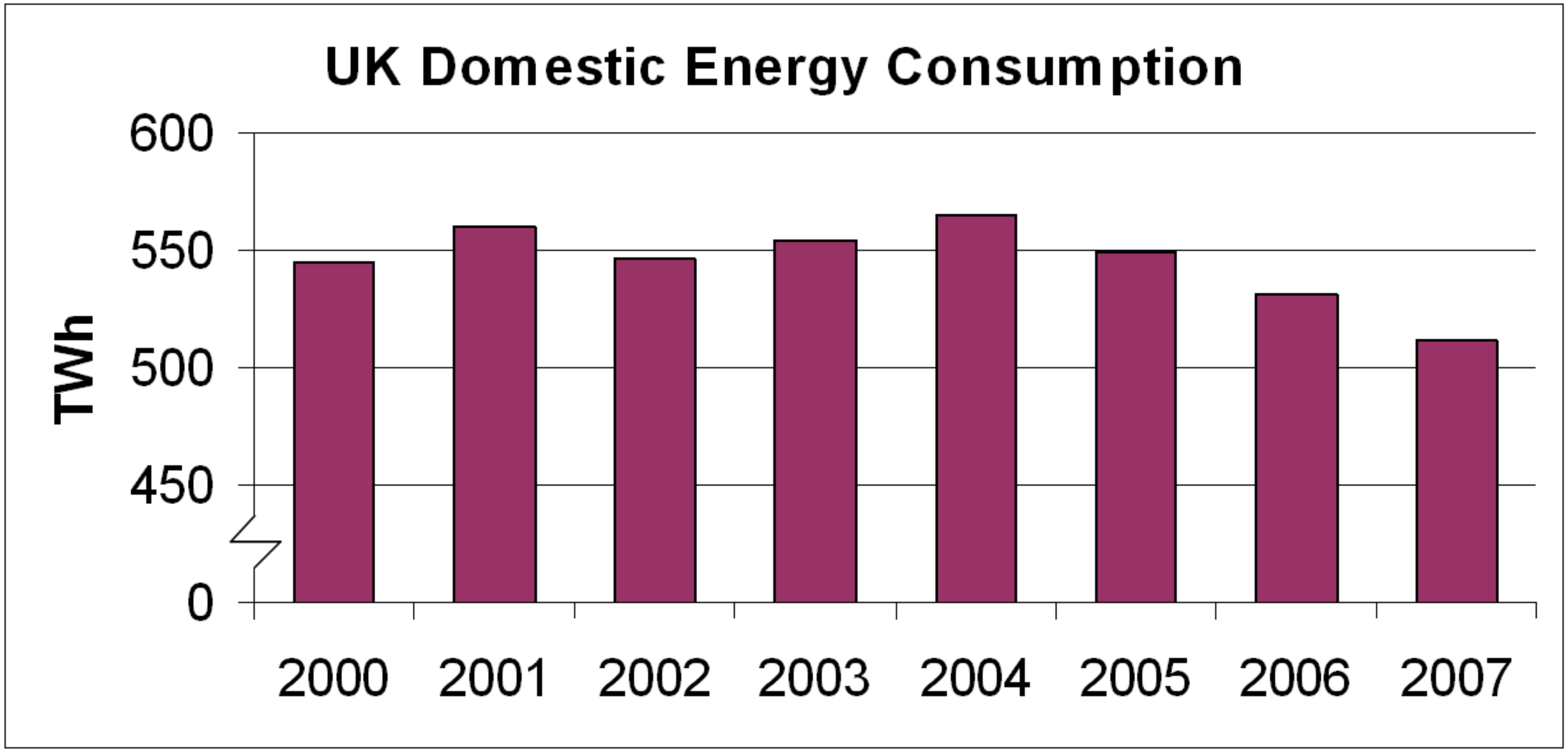
Department of Energy and Climate Change

UK : A market-led response to energy efficiency

Paul Egerton


UK Domestic Energy Consumption
TWh
600
550
500
450
0
2000
2001
2002
2003
2004
2005
2006
2007

Energy Efficiency Commitment (EEC)

- UK Government has imposed energy efficiency obligations on suppliers since 1994 but only at a significant level since 2002.
- Gradually increased scope and size of target.
- Obligation placed on domestic energy suppliers with a customer base of 50,000+ consumers.
  - Government set the high level objective.
  - Required suppliers to achieve an energy saving target of 130 terawatt hours [89 MtCO2 lifetime equivalent], with at least 50% delivered in a Priority Group of low-income consumers for equity reasons.
  - Market-led approach to delivery.
  - There are agreed carbon/energy scores for a full suite of energy efficiency measures.

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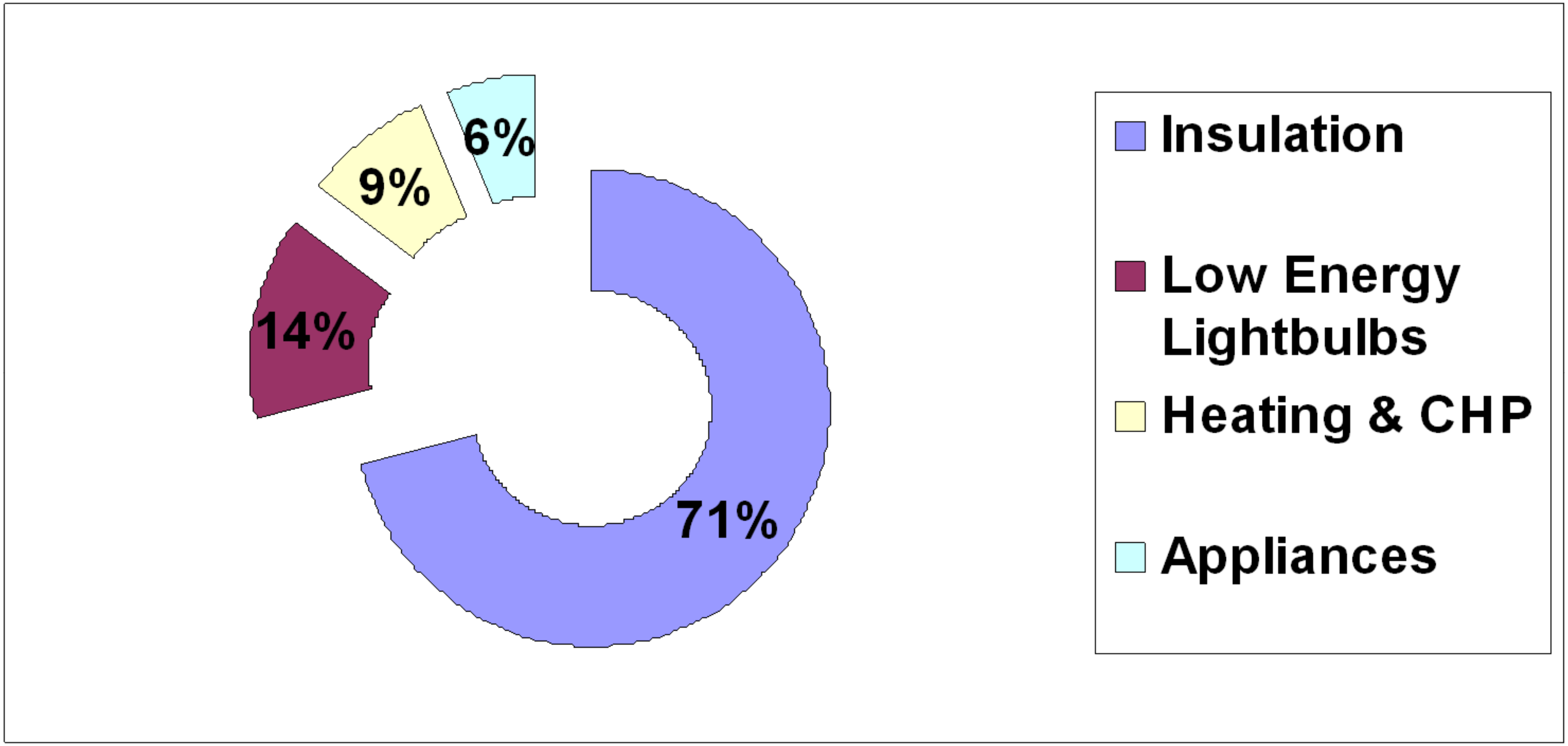
EEC2 Breakdown of effort 2005-2008



Energy Efficiency Commitment

- All suppliers complied with their obligation.
- Significant early activity was carried over to count towards the new obligation – the Carbon Emissions Reduction Target.

Measure	Number of measures installed		Energy savings (GWh)
	Priority Group	non-Priority Group	
Cavity wall insulation	658,815	677,560	58,687
Loft insulation (top up)	558,597	383,685	14,412
Loft insulation (virgin)	181,056	134,469	19,882
DIY loft insulation (m^2)	3,179,218	26,035,298	8,305
Solid wall insulation	26,379	8,899	1,816
Draught stripping	15,817	7,602	50
Hot water tank jackets	65,743	93,217	341
Radiator panels (m^2)	41,404	16,465	8
Other insulation (m^2)	4,706	1,455,653	230
CFLs	38,406,550	63,469,473	21,911
Other lighting	287,070	85,945	8
Energy efficiency cold and wet appliances	1,767,125	6,574,236	3,126
Standby savers	723,752	2,190,052	1,993
TVs	2,591,637	6,808,594	3,452
Other appliances	71,776	2,041,672	474
All boilers	366,905	1,715,907	7,837
Heating controls installed with replacement boilers	28,205	80,366	135
Heating controls	755,132	1,481,280	210
Fuel switching	47,639	30,371	4,462
Innovative heating	466	2,406	478
CHP*/Communal heating	1,894	4,960	1,084
Other heating	2,485	197,301	66

*Number of properties served by the heating system

Positive side to obligation

- Cost effective route to improving the energy efficiency of the GB housing stock.
- Costs “smeared” across all consumers to ensure maximum benefits can be enjoyed by all income groups.
- Market has been left to find the most cost-effective business case and route to delivery.
- Many strategic partnerships formed that have enhanced delivery.
- Consumption of gas has started to fall.

Positive side to obligation

- Transformed the market for low-energy light bulbs.
- Suppliers do not just have to target their own customers.
- Suppliers are coming forward with innovative solutions to saving energy.
- Delivers certainty on the ground and significant investment in energy saving measures.
- Fits with a competitive energy market.
- Can be reliably and fairly administered.

Negative side to obligation

- Only “low-hanging fruit” of cheaper measures have so far been installed at scale.
- Savings are assumed – impossible to check the extent of “comfort taking” or non-use of technologies.
- Installers (particularly insulation) have complained about stop-start relationships with energy suppliers requiring Government intervention.

Negative side to obligation

- Scatter-gun approach to delivery meaning that savings at community scale cannot be achieved.
- Each increase in the level of ambition also increases the smearing costs that have to be borne by all consumers – potentially pushing more into fuel poverty.
- Measure has yet to make much impact on electricity consumption.

Carbon Emissions Reduction Target (CERT)

- Present CERT broadly doubles the target of the previous phase of the Energy Efficiency Commitment (EEC2).
- Which mix of measures to install is still left up to suppliers.
- Cavity Wall insulation and loft insulation are expected to predominate.

Carbon Emissions Reduction Target (CERT)

- Target includes a Priority Group (currently set at 40% of overall obligation) to delivery equity.
- Priority Group Flexibility Option.
- New Market Transformation Option.

Where do we go from here?

- 2007 White Paper announced that there would be an obligation in some form that was at least equal to the existing obligation.
- Estimated 6 million properties requiring cavity wall insulation remain to be treated, but we expect to fill the most cost effective by 2014.
- Need to address the significant barriers to address the take up of the more expensive technologies such as solid wall insulation..
- Raise awareness of energy saving measures amongst householders.
- Bridge consumer distrust of energy suppliers.
- Provide SME's with better access to information and advice.
- Consider whether a cap on consumers overall consumption is appropriate when all the cost-effective measures have been installed.

Where do we go from here?

- Call for evidence published in Summer 2007 showed most support for a continuation of the existing measures-based response.
- Need to find an appropriate measure to tackle the efficiencies in the heat market that have no so far been achieved.
- Need to stay on course for a 60% reduction in CO_2 by 2050.
- UK Government will be publishing a public consultation on its Heat and Energy Efficiency Strategy during November this year.

Thank you!