

IEA DSM TASK XIV

Lund Workshop

The Energy Efficiency Commitment (EEC) in Great Britain

16th June 2005



What is the EEC?

- The aim of the EEC is to help consumers in the household sector to use less energy.
- The EEC is key to our carbon abatement objectives in the household sector and also contributes to the alleviation of fuel poverty.
- The first phase is expected to save about 0.4 million tonnes of carbon a year by 2005.
- The second phase is expected to save 0.7 MtC a year in 2010

What is the EEC?

- Under the EEC, electricity and gas suppliers are required to achieve energy saving targets by promoting improvements in energy efficiency in the household sector in Great Britain.
- The EEC runs in 3 x 3 year phases.
- The first phase of EEC was introduced in April 2002 and ran to March 2005. The second will run April 2005 - March 2008. In 2007 we will consult on the third phase to run April 2008 - March 2011.

How does EEC work ?

- The framework for the EEC and the overall target is set by Government via legislation, following informal and formal consultation. The Energy Efficiency Obligations Orders set the overall target for each phase- 62TWh for the first phase and 130 TWh for the second.
- The UK regulator Ofgem (The office of gas and electricity markets) is responsible for setting suppliers' individual targets, administration of suppliers' activity, enforcement of the legislation and reporting to Government on progress.

How does EEC work ?

- Suppliers are free to meet their targets in a range of ways and are not required to spend a fixed budget to meet their obligations
- Suppliers encourage and assist their domestic consumers to make energy savings through measures such as cavity wall and loft insulation and energy efficient boilers, appliances and light bulbs - suppliers are free to innovate
- Suppliers can do this by working directly with customers, their landlords, or other partners and by working with manufacturers and retailers of energy efficient products

EEC is a sustainable energy policy

EEC is designed to address all the key aims of sustainable development

- Environmental
- Economic
- Social

Issues we consider

Carbon delivery

Capacity of the energy efficiency industry

Cost to consumer and others

Issues we consider

- We assume that suppliers do the maximum number of most cost-effective measures. This in turn depends on the available practical opportunities in the housing stock and supply side constraints.
- The overall target is also constrained by cost, in that we would wish to limit the potential increased cost to consumers' fuel bills.
- Requiring suppliers to achieve at least 50% of their energy-savings with low-income consumers to ensure they receive a fair share of the benefits of the EEC.

EEC and market transformation

Use EEC as a means of encouraging certain practices and products including:

Current EEC incentives for energy services

A new incentive for innovative products eg mCHP

Trading & EEC

There is scope for trading between EEC suppliers

- either of obligation or performance.

In practise the use of this has been limited to the final stages of each target period, when suppliers reconcile their achieved performance against their targets.

Issues for trading

- The EEC aims to drive down domestic energy demand, contributing not only to carbon abatement, but also to security of supply and wider social issues, such as fuel poverty. EEC is confined to the domestic sector
- Government wants each sector to play a part in energy efficiency and carbon abatement
- Need to protect social aspects and equity

White Certificates

Very interested to see how White Certificate schemes might work in practice

Want to consider how they could interact with existing schemes/policies

Committed in setting target for 2008-2011 phase of EEC to look at opportunities to support target with wider trading

Defra contacts

- Iris Rooney
 - Iris.Rooney@defra.gsi.gov.uk
 - 020-7082 8713
- Martin Devine
 - Martin.Devine@defra.gsi.gov.uk
 - 020-7082 8718