

Defra consultation on the Carbon Emissions Reduction Target 2008-11 (CERT)



**Friends of
the Earth
Scotland**

A response from Friends of the Earth Scotland

15 August 2007

1. Introduction

Friends of the Earth Scotland is an independent member of the Friends of the Earth International network. We undertake research, advocacy and community development activities throughout Scotland in pursuit of environmental justice and sustainability. This response represents the views of Friends of the Earth Scotland.

Friends of the Earth Scotland welcomes the opportunity to comment on the proposals.

2. Summary of main points

- It is vital that Scotland receives a share of CERT investment which is at least in line with the proportion of UK households in Scotland, and preferably higher than this.
- The transition arrangements between EEC2 and CERT must allow measures carried out prior to April 2008 to count towards CERT.
- The carbon target expressed in the consultation document should be regarded as an absolute minimum.
- Since CERT is clearly a carbon reduction, rather than a fuel poverty alleviation programme, it should not be regarded as a substitute for continued Government investment in specific fuel poverty programmes.

3. Ensuring an equitable spread of investment across nations and regions

- 3.1. According to Ofgem, around 7 percent of investment under EEC1 was in Scotland, yet Scotland has 9 percent of the UK's dwellings¹. We are not aware of any assessment for EEC2, but would be surprised if it differed radically from EEC1.
- 3.2. This proportion does not seem appropriate to us: since Scotland has a colder climate than the rest of the UK, we suggest it is appropriate that it receives at least 9 percent of the EEC/CERT investment, and preferably more.
- 3.3. As an absolute minimum, it is vital that the regional/national distribution of investment under CERT is monitored and reported on a regular basis.

4. Transition to 2008-2011

- 4.1. We have concerns that the transition arrangements as set out are inadequate to ensure a smooth transition from EEC2 in order to maintain capacity. Clearly, if the Government and relevant businesses wish capacity to be maintained at this higher level in order to be

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available for a larger CERT, incentives must be provided to encourage the energy suppliers to fund work before it is required.

- 4.2. The consultation document states that measures surplus to EEC2 count towards CERT on a like for like basis. However, these statements are insufficient to bring about an early start to CERT work. Finance directors in the energy supplier companies will need a stronger financial case to sanction spending for actions 'in advance' of a programme which starts in the 2008/9 financial year with a 2011 closing date. We therefore call for uplift for measures carried out before April 2008 but "counted" towards CERT.

5. Carbon targets in CERT

- 5.1. We consider the size of the overall target for CERT declared by the Government to be the very minimum required. It may well not be enough to achieve the household sector's contribution to the Climate Change Programme target to reduce CO₂ emissions by 20% below 1990 levels by 2010ⁱⁱ. We would also question whether it is sufficiently ambitious in light of the Government's draft Climate Change Bill, and the targets therein.
- 5.2. The Government has admitted that it is falling behind on its 2010 CO₂ target. It needs to maximise the effectiveness of every programme it has in order to get back on track. In addition, the UK needs to set as high a target as possible for CERT, in order to make the transition to a post-CERT capping system easier to manageⁱⁱⁱ.
- 5.3. We support the use of lifetime carbon savings without discounting, and the fact that 'low-carbon' electricity supplied via the national grid has not been included in CERT.

6. Flexibility, demonstration and market transformation

- 6.1. The provisions of Mark Lazarowicz MP's Climate Change & Sustainable Energy Act 2006 allowed the Government to change the CERT target from an energy-saving one to a carbon-saving one and gave the Secretary of State a discretionary power to add measures to: (1) increase microgeneration; (2) increase the generation of electricity or heat from "low emissions sources or using low-emissions technologies"; (3) reduce the consumption of supplied energy, such as through behavioural measures.
- 6.2. We support the move from an energy-saving target under EEC to a carbon-saving one under CERT. We also support the additional measures featured in (1), (2) and (3) being incorporated into CERT via the flexibility options; however, this support is subject to certain concerns.
- 6.3. In particular, we support the inclusion in CERT of a Market Transformation option clearly aimed at microgeneration measures, particularly if used by suppliers as part of a whole-house approach to reduced energy consumption, CO₂ emissions and fuel bills. While energy efficiency measures are nearly always more cost-effective at reducing emissions from buildings, research has shown that the installation of energy efficiency measures alone is not sufficient to 'fuel poverty proof' many house types (especially 'hard to heat/hard to treat'), nor is it sufficient to achieve CO₂ reductions commensurate with statutory targets.
- 6.4. We note the comments of the Micropower Council and support their view that the flexibility arrangements will **not** supply significant amounts of microgeneration, as microgeneration cannot compete directly with established measures on only 50 percent carbon uplift.
- 6.5. The Government should not use the flexibility provisions of CERT to evade their financial responsibilities to support microgeneration. The Government must replace the LCBP with some adequate financial support scheme if it seriously wants to support and grow a UK microgeneration industry that is tiny compared to others in Europe.
- 6.6. As regards the demonstration option: the Government is clearly keen to include behavioural change measures in CERT. In order to change behaviour, householders need feedback that is accessible, immediate, and positive^{iv}. Informative billing alone, months

after the fact, will not satisfy these requirements. Smart meters will help this. For the avoidance of doubt, we define smart meters as devices which give real-time usage information to building occupants; which allow accurate remote meter reading by utilities; and which allow any householder or building owner installing microgeneration to accurately measure the contribution they make to the grid. We believe smart meters must satisfy all three of these considerations: real-time displays on their own are not sufficient. We support smart metering not being eligible under CERT, but believe the next change of building regulations should require smart meters to be installed as standard in all new buildings (domestic and non-domestic). It is also essential that Ofgem shows more commitment to organising a national rollout of smart meters.

7. Mix of measures

- 7.1. It is important that sufficient uplift is given to stimulate the choice of “A” Rated gas central heating boilers instead of “B” Rated boilers.
- 7.2. Solid wall insulation – in light of the number of homes with low SAP levels which have solid walls, it remains vital that the improvements in insulating technology for such walls are monitored, and that this be accompanied by sufficient flexibility to encourage take-up.
- 7.3. Loft insulation – should we still be counting the loft insulation measures carried out by Government programmes in the 1970s following the energy crisis as viable insulation? By modern standards the depth of insulation installed then (one to two inches) is inadequate. There is no guarantee that after thirty years this insulation has not been rendered far less effective in many homes by being moved or compressed by storage. Counting these lofts as ‘virgin’ would help bring these lofts up to modern standards.
- 7.4. A plan to withdraw incandescent light bulbs eventually from sale in the UK may have rendered additional support for CFLs largely unnecessary. Subject to further research, an argument could be made for the inclusion of new sources of domestic lighting, including LEDs, currently uncompetitive in the market.
- 7.5. In terms of specific microgeneration and renewable technologies eligible under CERT, we would in principle support air-source heat pumps and light pipes, not currently on the list of approved measures in the consultation document.
- 7.6. By the same token, we are very concerned that CHP in all its forms is not in the illustrative mix – it should be. Good quality district CHP was in EEC2, is in Ofgem guidance, but is not in the mix – why? It is not clear why micro-CHP is not in the mix - it should be. Although preliminary evidence suggests that emissions reductions may be small^v, they can nonetheless play a part.

8. Equity issues, fuel poverty and the Priority Group

- 8.1. It is now widely accepted that CERT is a carbon saving programme. It can only coincidentally help people living in fuel poverty. It should not be seen as a substitute for specific targeted fuel poverty reduction programmes such as the Scottish Central Heating Programme and Warm Deal. If the 2016 target on fuel poverty is to be reached, significant government investment will be required on top of any investment provided through CERT.
- 8.2. The reduction in “opportunities” in the social rented sector could be an opportunity to tackle the plight of Priority Group households living in the private rented sector. People within this group are typically already paying more than others for their energy supplies (e.g. through prepayment meters) and in many cases also living in energy inefficient homes, particularly those in bedsit type houses in multiple occupation. Housing Benefit recipients are quite rightly identified as being in the CERT Priority Group but have largely been excluded from the benefits of EEC in practice because private landlords are notoriously difficult to reach. Clearly, landlords would need to be advised that they can only claim LESA for any contribution they make themselves to the cost of measures installed.

- 8.3. We welcome the flexibility option criteria aimed at private sector Priority Group residents in fuel poverty, living in homes off the gas grid. But we propose this criterion be widened to include households which have solid walls and are on the gas grid. Aside from ensuring a higher 'hit-rate' of fuel poor households, and depending on the degree to which suppliers choose to use the Priority Group flexibility option, framing the subset this way would also create a better balance of insulation and heating measures (as listed in paragraph 2.27 of the consultation document).
- 8.4. It is widely recognised that a carbon saving programme such as EEC/CERT will not end fuel poverty – it can only make a limited contribution. This means that Government, and ultimately the taxpayer, cannot escape their fuel poverty obligations.
- 8.5. Assuming that a significant reduction in fuel bills to very low levels in the latter half of this decade is unlikely, fuel poverty must be therefore be tackled both by increases in income of the fuel poor (most effectively by increasing the number of people claiming the full benefits to which they are entitled), and greater activity under specific fuel poverty programmes (Central Heating Programme and Warm Deal in Scotland) and other housing improvement schemes. The Government should consider diverting the Winter Fuel Payments (which are paid to any pensioner regardless of income and wealth whether they need them or not) into specific fuel poverty alleviation measures.
- 8.6. **Coordination of fuel poverty work at the local level:** we are concerned that current policies aimed at reducing fuel poverty are poorly integrated, leading to duplication and unnecessarily high transaction costs.
- 8.7. When faced with a UK building stock that is, from an energy efficiency standpoint, in very poor condition, activity targeting the householder (rather than the house, as via the EEC2 Priority Group) is effectively pock-marking the stock with improved homes, rendering the remaining stock unchanged and costly to identify and treat in the future. This effect is compounded as EEC/CERT effectively forces suppliers to compete with each other, to install their target emissions at least cost. This leads to myopic behaviour, precluding a more joined up, systematic stock-based approach.
- 8.8. To mitigate this risk, and reduce transaction costs associated with the potential for multiple agencies supporting any given household we strongly recommend area-based coordination where possible. In this way those in fuel poverty, as well as the 'able to pay' and the entire building stock can be addressed systematically and at lower cost. This coordination could be led directly by Home Energy Conservation Authorities, or by an external company, working for each HECA council under contract. Local knowledge could then be combined with external money to enable a systematic, targeted approach to improving the local housing stock.
- 8.9. We suggest that any local coordinated programme should take a home to a minimum NHER score of 7 in order to avoid future transaction costs associated with doing further work on the same home at a later date so as to achieve that minimum standard. It remains ludicrous that homes ostensibly improved under previous programmes can still be left in the position where they can qualify for assistance under current programmes.

9. Opportunities for trading in CERT

- 9.1. Trading of energy saving measures between suppliers is allowable under EEC1 and EEC2. There are also suppliers paying for the sales promotions of DIY products such as loft insulation or CFLs sold by third party companies such as major DIY retailers. In addition, some cavity wall insulation installers are undertaking speculative work, and then effectively selling the savings to individual energy companies.
- 9.2. Moving to something as complex as *white certificates* is premature within a time-constrained scheme like CERT, although they may become pertinent post-2011 – particularly if lessons can be drawn from the Carbon Reduction Commitment. Any energy supplier not in a position to achieve its EEC target can already buy surpluses from competitors.

10. Opportunities for trading post-2011

- 10.1. We support 'carbon cap and trade' for the post-2011 supplier obligation. In principle, we support a shift from an EEC/CERT based on individual measures delivering theoretical energy savings, to one based on capped household carbon emissions delivering actual savings. The emphasis is on capping consumption, not necessarily on trading measures, which is already allowable under present schemes.
- 10.2. In the face of a general trend of rising domestic energy demand, an approach attempting to cap householders' demand would reduce incentives for savings to be taken in comfort, and would allow these savings (predicated upon the much needed installation of some form of smart metering) to be measured cheaply and in real terms.

We trust that you are able to take these comments into account.

For further information please contact:

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ⁱ Ofgem (2005) *A review of the Energy Efficiency Commitment 2002 – 2005*

<http://www.ofgem.gov.uk/Sustainability/Environmnt/EnergyEff/Documents1/11254-18105.pdf>

ⁱⁱ In addition, the Government has a legal duty under section 217 of the Housing Act 2004 to take reasonable steps to ensure at least a 20% increase in English residential energy efficiency by 2010 compared with 2000.

ⁱⁱⁱ We note that the Sustainable Development Commission has called for a larger overall target for 2008-11.

^{iv} In view of spiralling fuel poverty figures due to fuel price rises and continual re-evaluations as to the severity of climate change, it remains a curiosity that the householders are 'informed' of their individual impacts via 100 year-old meter technology hidden away in a hallway cupboard.

^v Energy Saving Trust, econnect and Element Energy (2005) *Potential for Microgeneration: Final Report*