

The UK Supplier Obligation

Tom Bastin

Department of Energy and Climate Change

Why the suppliers?

- 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



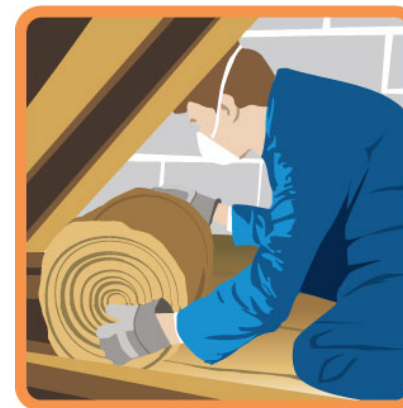
The administrator



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)

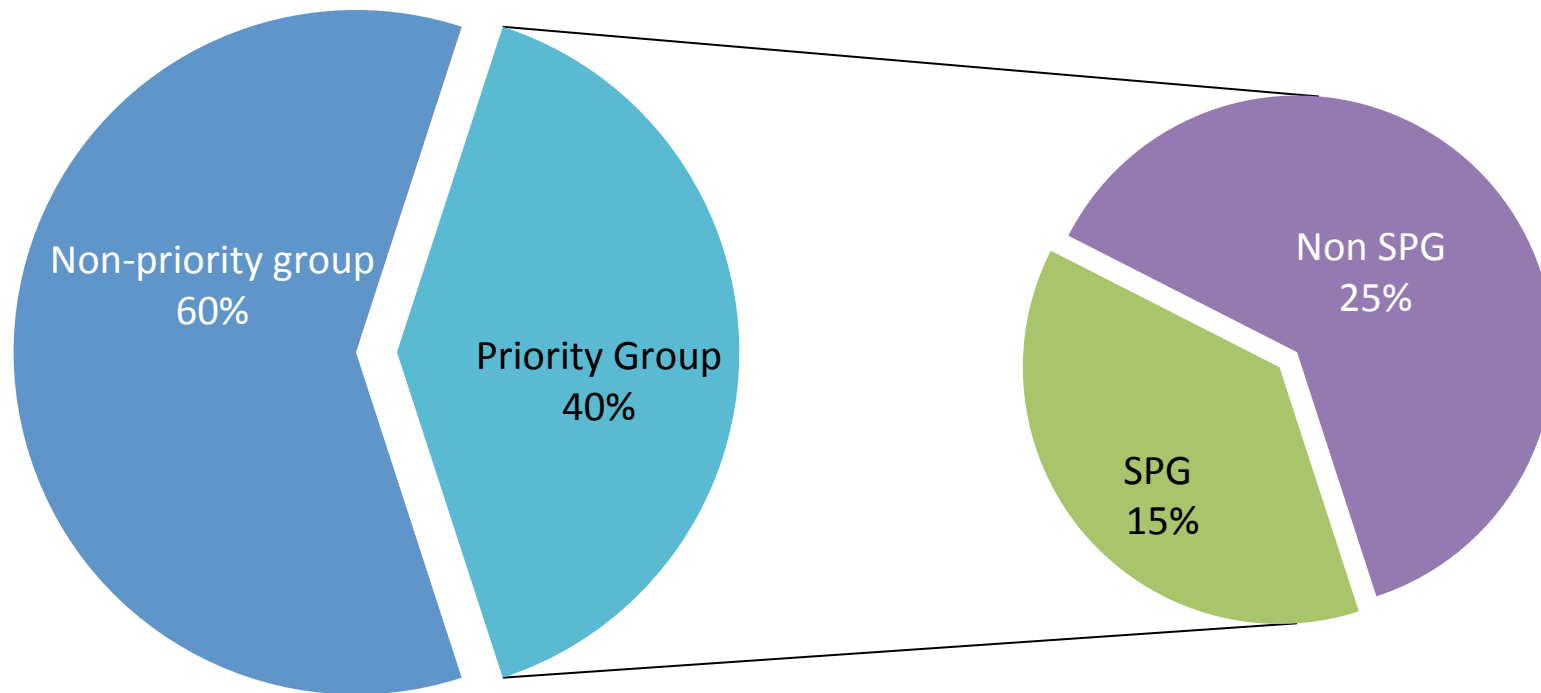
How CERT works: Costs



- 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?

EEC 2002 - 2008:

- 5 million households received insulation

CERT April 2008 – Sept 2010:

- 170 MtCO₂ achieved
- >3m households received insulation
- 300 million CFLs distributed

CERT delivery by end 2012



- Almost 300 MtCO₂ (lifetime) by Dec 2012
- Annual savings of 8.3MtCO₂ 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



- 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

Tom.bastin@decc.gsi.gov.uk