Carbon Emissions Reduction Target (CERT)

Department of Energy and Climate Change

Consultation document on the role of Appliances and Consumer Electronics

response from BT

January 2011

Introduction
BT is pleased to provide this response to the consultation, following from its input to the previous consultation in March 2010.

In summary;-

- we agree with the principles set out in the consultation;
- we provide evidence in respect of relevant products in our portfolio on how they meet these principles;
- our preferred approach is to retain the existing provisions as set by the CERT extension as they are demonstrably working in our sector to help the UK reduce its carbon footprint. Indeed, communications (telephones, broadband and television) are embedded in the make up of our homes and a greater penetration of the increasingly efficient telecommunications devices should continue to be supported by CERT;
- CERT has been instrumental to BT being able to change the way it designs customer products. It has helped raised awareness and the energy efficiency imperative at a senior level and with the product line, and has helped fund changes to designs that help UK households save carbon. But there is scope for futher improvements and the extension of the CERT schemes will enable BT to continue fund energy efficient technology.

We set out below some comments and evidence in respect of each of the five principles contained within the consultation document, demonstrating the way in which we meet them with our products.

Principle 1
A scheme under which we can have confidence in the product being used effectively and the actual carbon-saving awarded being realised, and for this assurance to be secured cost effectively.

BT Response

- DECT telephones realise the carbon saving that is awarded to them:
    - 80% of telephones purchased are non-discretionary purchases* (i.e. the purchaser <u>needs</u> a new telephone and is, therefore, extremely likely to install and use it once purchased).
    - Average purchase price of a telephone is about £40** – consumers would not spend this amount of money if they were not intending to use the telephone.
    - Energy savings are based on the telephone being "idle" and switched on all the time; it is not related to the amount of time spent using the telephone.

- BT's television service, BT Vision, also realises the saving that is awarded to it:

- The television service cannot be provided without the associated set top box and so we know that our customers use the device every time.
- The 30% energy saving is realised automatically and does not rely on any customer behaviour change. Overall, combined Vision boxes that operate at this reduced level save a lifetime CO2 of 82.5k tonnes.

- BT has also been working with Centrica to improve the energy consumption of its broadband router and together, within the scope of CERT, a saving of at least 30% has been realised in the latest design (Hub 3) which will launch late January 2011. Hub 3 is more efficient in ON mode and also always goes on standby when not used.

Principle 2

A scheme that avoids deadweight as far as possible, and where we have evidence that the incentive was necessary to achieve market penetration. It needs to be additional to normal market transformation and other UK or European action such as regulation and labelling.

BT Response

- BT estimates that market penetration is estimated at between 35% and 40%***
  - Approx 13m UK households have a DECT Phone which does not have an energy efficient power supply, therefore, there is a significant opportunity to grow the number of households with an energy efficient phone (over 2 years at current run rate).

- CERT subsidy encourages a faster refresh rate of products for more efficient products
  - Removal of CERT funding would weaken the case for more rapid refreshes, which deliver better energy efficiency.
  - BT phones launched in the 6 months to July 2010 on average use 45% less power than the average power consumption for the BT range in the preceding 6 months (weighted average, which takes volume into account – new lines are both high volume and very efficient, which has helped to bring down the average power consumption of BT's product range)****.

- CERT encouraged a new design approach thriving for energy efficiency in our other products categories. We have made improvements to the Vision Box supplying the television service and to Hub 3, the router providing Broadband. The scheme captures the imagination of the product managers and the commitment to work closely with Centrica at the outset meant that it was a principle embedded in the DNA of the product that could not be compromised. The marketing messages around energy consumption improvements are new in that space and BT is setting a trend which CERT will help other providers to follow.

Principle 3
A scheme that is largely focused around non-traded sector savings, noting the existing driver for electricity efficiency savings provided by the EU Emissions Trading Scheme coverage of the electricity sector.*

BT Response

- Not only does CERT subsidy encourage product refresh for more efficient products, it also provides funding for other initiatives that reduce the Carbon impact of the products. For example;-
    - use of less packaging and removal of plastic wrapping within product boxes, replaced with dearer eco equivalents
    - we are currently developing Eco DECT (reduced signal transmission power) for new models
    - screen "sleep" mode to save power when in idle.

Principle 4
A scheme that aligns with the secondary objective of securing improvements in energy efficiency in low-income homes for reasons of helping (fuel poor) households most vulnerable to the health impacts of a poorly insulated and heated home.

BT Response

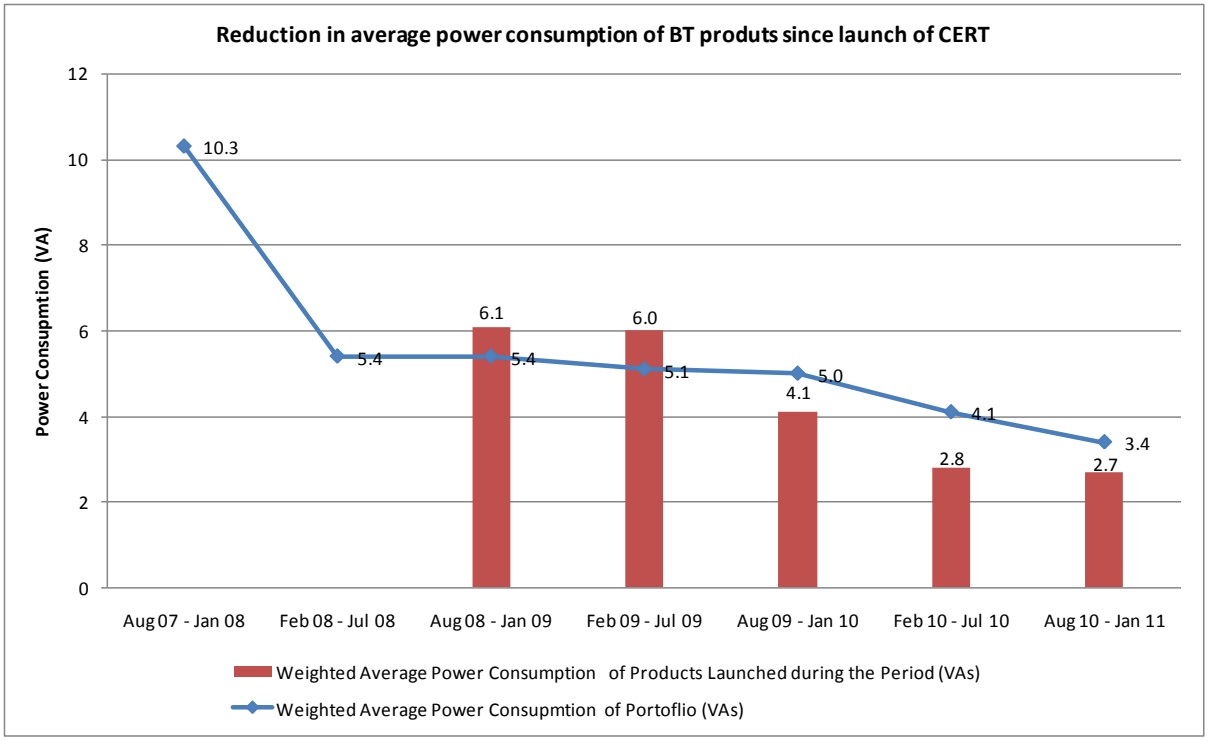
- 90% of UK households have an active phone line*****
- Consumers make 133bn minutes of call per year******
    - A home phone is an essential part of almost every home in the UK
- as much as 50% of BT customers are Priority Group customers*******

Principle 5
A scheme that is transparent to participants and consumers on what is eligible and being delivered

BT Response

- BT includes an energy efficient logo and partnership with British Gas is indicated on all product packages which contain a Switch Mode Power Supply Unit
- Energy savings are often communicated in marketing material
- Benefits of future developments, such as Eco DECT will clearly be communicated on packaging

The table below shows the average weighted power consumption of the BT DECT portfolio as well as the weighted average power consumption of products launched within each of the 6 month periods



*** Based on BT Consumer research 2008 and BT landline Buyers research 2010**
****GFK market data**
*****Estimate based on GFK data plus BT assumptions**
****** Derived from BT Labs test data for power consumption plus volume data from CERT subsidy**
*******Based on data from Ofcom, and major Telcos**
******** Ofcom Communications report 2010**
********* Customer survey responses to BT July 2010 and ongoing**

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