

Market Transformation Programme

..... to bring forward products, systems and services which do less harm to the environment, using less energy, water and other resources'

MTP Briefing Report for MTAG For meeting on 19 June 2002

| | | |
|-------|--|----|
| 1 | What MTP achieves - recent highlights | 2 |
| 2 | Priorities for 2002/2003 | 4 |
| 3 | Three new strategies | 4 |
| 4 | Proposed plans and budget | 6 |
| 4.1 | OVERVIEW | 7 |
| 4.2 | BUDGET BREAKDOWN | 7 |
| 4.2.1 | Sectors & cross-sectors | 7 |
| 4.2.2 | Programme Development | 9 |
| 4.2.3 | Knowledge Management | 10 |
| 4.2.4 | Marketing communications and web site | 11 |
| 4.2.5 | General management | 12 |
| 4.3 | BUDGET SPLIT BETWEEN CONTRACTORS | 12 |
| 4.4 | HOW WE WOULD MEET BUDGET CAPPED AT £550K | 12 |
| 5 | Discussion points for MTAG | 13 |

1 What MTP achieves - recent highlights

Consumer electronics

The MTP interaction with designers directly is beginning to deliver benefits in shaping performance of products emerging on the market. Particular instances include:

- Digital Adapters - MTP forecasts that over 50 million digital adapters could be installed in UK homes in the run up to analogue TV switch-off, creating a massive increase in energy consumption of around 8 TWh, with a potential policy saving of 6 TWh. MTP has played a front-line role on raising the energy issue as part of this policy development. **Energy providers are now showing a positive interest in investment for these adapters which are coming on the market in high volumes over 2002-2004. Their interest is in accommodating efficient design features of standby-operation and high efficiency power supply capabilities. This interest has been a direct consequence of interaction with MTP**, and we are currently exploring funding routes to bring forward efficient designs to the market in time to meet the large scale market growth.
- LNB (digital sky dish receiver) designers achieving a 3W standby saving - energy providers showing investment interest and service providers already committing to retrospective and new installation programmes for 9M homes over next few years. There has been recent approval of this activity as an EEC funded programme. Savings of 0.2TWh/a are projected.
- Cost effective low-power Power Supply design prototype developed by European silicon designer attending MTP workshops and sets best practice for standard designs of just 90mW (cf 4W market norm) capable of insertion into wall-packs and appliances. This is now generating a lot of interest commercially, and presents a case for revision of the EU Code of Conduct standard for Wall Packs.

Air-conditioning

MTP has achieved excellent engagement with stakeholders in this sector, and indeed CIBSE had adopted 10 actions identified in the Policy Brief to deliver the policy strategy. MTP is notably helping to join-up policy across several Government Departments, to balance environmental and economic/industry requirements. Other stakeholders include buyers, those setting test standards, and European trade bodies. **An important deliverable will be better quality product performance information in the public domain**, as well as indicative minimum and best practice performance targets up to 2010.

Refrigeration equipment features strongly in the Enhanced Capital Allowances Scheme, which gives a much needed boost for suppliers of the best performing products. MTP has been working with DTI Engineering Industries Directorate on projects aimed at putting recognised test procedures in place to enable companies to test their refrigeration and air conditioning products to a consistent standard. One of the aims is to encourage better, and verifiable, energy performance of products in these sectors, with the added advantage of preparing the way for their inclusion under the ECA scheme.

Domestic Water

This has been a recent addition to the MTP portfolio of product sectors, **demonstrating the effectiveness of applying the MTP process and policy strategy approach to non-energy sustainable resources**. Following interest expressed by the National Water Conservation Group (NWCG), the MTP policy

approach was applied to domestic water appliances as a means towards prioritising actions that could reduce water consumption in UK homes.

Traditionally, for the past 40 years the domestic water sector has been driven by minimum standards. MTP has offered a *turnkey solution* for considering a wider range of policy options. Its transparent, scenario-based process has increased the discussions between stakeholders, which include Water UK, Environment Agency, Going for Green, Bathroom Association, Tidy Britain and Institute of Plumbing.

Key breakthroughs have been the importance of promoting dual flush WC's and researching the impact of power showers. ***The sector has fully engaged with this process, and is keen to continue to make use of it to develop product policy priorities.***

Cold Sector

Funded by the European Commission and member states, the *Energy Plus* project was supported by MTP in the UK and nationally managed by ECI. ***The initiative demonstrates that co-operative procurement can be successfully used to accelerate the presence on the market of highly efficient models.***

Europe's most energy efficient fridge-freezers are now on the UK market - a direct result of the European SAVE project facilitating procurement partnerships between manufacturers and retailers across Europe. Whirlpool was the first manufacturer to introduce an Energy+ model in the UK - nearly 40% more energy efficient than a standard A rated product.

The project has been so successful that the project has been extended by the national partners over the past 12 months to access industry momentum and deliver further Energy+ models to the market. There are now 8 European manufacturers who have designed, developed and market no less than 78 Energy+ models throughout Europe.

2 Priorities for 2002/2003

MTP priorities agreed with DEFRA for 2002/2003 are:

- Support for European Regulation agenda - comprising energy labelling, minimum standards (Energy Efficiency Requirement Framework Directive) and Energy Star. This is becoming an increasingly busy agenda over this year and will absorb increasing levels product sectors manager time.
- Continuation of support for EU Eco-labelling policy delivery
- Continued management of policy development process in all current MTP product sectors. The emphasis is now shifting from developing consensus on policy strategy to policy delivery, as we achieve greater reliability of knowledge base and Policy Briefs, particularly 'joining up' Government policies
- Developing reliable product performance information as the foundation for robust policy decision-making and to support external customer needs, for example Enhanced Capital Allowances and Energy Efficiency Recommended.
- Increasing the transparency of knowledge that underpins Policy Briefs and models to encourage greater scrutiny and engagement of stakeholders (through improving web site, What-If modelling tool)
- Raising the profile and awareness of MTP as a process to support policy development, including explaining it more clearly to stakeholders and potential customer base (other Government departments with overlapping agendas)
- Developing the scope and interaction of MTP activities with the customer base, both nationally and internationally

These priorities have shaped the development of plans for MTP for 2002/2003.

3 Three new strategies

Three new strategies have been drawn up in addition to the traditional product/sector based core MTP activities.

These three strategies cover:

Programme Development

The principal strategic directions for MTP evolution over the next 3 years are in order of priority:

1. UK Customer Base development: development of buy-in to MTP through collaborative projects and demand for MTP skills and knowledge base by principal government departments and agencies. This to be managed through a *Programme Development Agenda*.
2. International development: translate the MTP process and influence to firstly a European base and then to a wider international base. This is to be managed through the *Market Transformation Policy Information Forum*

(MTPIF) - an initiative which now comprises the active support of 5 European countries

3. Product & System Design: cross-sectoral consultation process to move the product & system development/design base towards efficient product design and target specifications.
4. Expansion to non-energy issues: translate MTP process to environmental product impacts in general, eg water, detergents, end-of life recyclability
5. Service-based stock model: cross-sectoral consultation process to review present MTP discrete product/ownership-based stock model and policy development approach as a consequence of the gradual shift in technology/lifestyle and service provision trends.

Marketing, communications and web site

This new focus for MTP aims to:

1. Increase involvement and commitment of government departments
2. Build MTP's reputation as an authoritative source of data
3. Inform the MTP consortium and experts base

Deliverables include:

- a significantly enhanced mtprog.com web site;
- concise 'Introduction pack' explaining the MTP process and its achievements for stakeholders and potential customers;
- feature bulletins and news alerts communicating policy information to stakeholders via email and web site;
- focus on consistent presentation of MTP outputs;
- media management to channel press releases and coach sector managers;
- a workshop/ showcase with stakeholders and customer base.

Knowledge Management

The function of the Knowledge Management area is to provide the infrastructure and software tools to ensure the programmes content is clear, consistent and open to public scrutiny. The primary focus resulting from the strategy review was on delivering an integrated portfolio of information, that is both transparent (ie ability to drill down for rationales and assumptions) and logical in its structure. To deliver this service the strategy identifies the following key areas for further attention.

1. The redevelopment of MTPROG.COM website will include the consolidation of the public website and the private extranet which are currently separate. The initial focus of the redevelopment will ensure a solid platform for the development of the sites core features and for future expansion of the site. The site will primarily be **database driven** and where possible new content will be added by 'designated users'. This means that a sector manager, for example, will have the ability to easily enter, modify and publish documents and related material of which they have been designated the owner. This is a key concept for the new site as it provides an **author audit trail** and information can be efficiently maintained in up-to-date order. Clearly defined access levels will control the visibility of this information. Access routes are shown in the diagram below.



2. Implementation of the What If tool. The What If tool has been developed as the projection model standard for the MTP Knowledge Base. This will significantly support achievement of the goal of transparent and coherent information across the programme. It has been populated with considerable product sector information. The next step is to oversee the adoption and implementation by sector managers. Following the implementation phase it may be necessary to modify/ adapt the tool in line with a greater understanding of its potential (such as introducing country filters for MTPIF, enhanced export functions for data transfer between stakeholders etc).
3. Data Management addresses the need co-ordinate the purchase, validation and management of product data (including sales and technical data).
4. Maintaining the asset register is an ongoing requirement of the programme that will be maintained.

The Knowledge Management aspects of MTP cannot work in isolation, and other programme areas will lead some ostensibly Knowledge Management projects. For example UKEPIC in the Programme Development area, or the redevelopment of MTPROG.COM under Marketing Communications control.

4 Proposed plans and budget

A first cut at sector plans, combined with action plans from these three strategies gave rise to a programme totalling over £1.5M. This has been scaled back to a proposed budget of £800k for scrutiny by MTAG. Scaling back was achieved through prioritisation of all budget areas and removal of some sizeable projects.

Examples of the latter include:

- Co-operative activity to develop test standard methodology and performance targets as preparatory work for ECA criteria for commercial water products (part of the Green Technology Challenge)
- Potential development of the domestic water policy activities cut from £50k to £20k

A 'shopping-list' of reserve items and initiatives has been developed that could add value to the Programme above the £800k level – some key examples are described after each section of the budget breakdown.

In the case of tighter budgetary constraints, we also present in section 4.3 how we might deal with a budget capped at £550k, explaining in broad terms what would need to be deferred in this case.

4.1 OVERVIEW

| | Recommended budget for 2002/2003 | % of whole |
|---------------------------------------|--|---------------|
| Sectors & cross-sectors | 370 | 46% |
| Programme Development | 163 | 20% |
| Knowledge Management | 40 | 5% |
| Marketing & Communications | 132 | 16% |
| General Mgt | 95 | 12% |
| Total | 800 | 100% |

Each of these elements is explained in more detail below.

4.2 BUDGET BREAKDOWN

4.2.1 Sectors & cross-sectors

| | |
|--|------------|
| Sectors & cross-sectors | |
| Domestic sectors: | 143 |
| Domestic lighting | 13 |
| Wet | 15 |
| Cold | 14 |
| Cooking | 12 |
| Heating & hot water | 40 |
| Domestic water | 20 |
| Consumer electronics | 29 |
| Commercial sectors: | 49 |
| Motors | 8 |
| Refrigeration | 2 |
| Air conditioning | 24 |
| Commercial lighting | 15 |
| Commercial water | 0 |
| Mixed sectors: | 14 |
| Information Communication Technology (ICT) | 14 |
| Cross-sector themes: | 90 |
| Ecolabelling policy delivery | 75 |
| Energy Star | 15 |

| | |
|--|------------|
| WEEE Directive delivery | 0 |
| Support to DEFRA on cross-sector policy issues | 10 |
| Sector/Product sales data Purchase | 40 |
| Sector response to unforeseen opportunities / DEFRA requests | 25 |
| | 370 |

Sector budgets generally include:

Monthly Policy Brief updates, three stakeholder meetings, an annual Sector Review meeting to formally mark consensus on the policy brief, preparation of best practice and minimum standard targets, and implementation of the What-If model for generating sector energy data.

Products covered by MTP represent 91% of current domestic energy consumption. These budgets have been adjusted to reflect the recent Domestic Sector Policy Strategy Overview prepared by MTP. This identified consumer electronics as the priority domestic sector for UK carbon reduction policy.

| Domestic Product Sector | Carbon reduction potential 2010 (MtC)* |
|-----------------------------------|---|
| Consumer Electronics | 0.99 |
| Lighting | 0.48 |
| Heating (gas and oil CH) | 0.45 |
| Cold | 0.40 |
| Cooking (includes fuel switching) | 0.20 |
| Wet | 0.13 |
| Electric water heating | 0.06 |

* based on difference between MTP Reference and Policy Line at 2010

A similar analysis of the main current commercial product sectors places priority as below:

| Commercial Product Sector | Carbon reduction potential 2010 (MtC)* |
|--|---|
| Commercial Lighting | 1.13 |
| Industrial Motors & VSDs | 0.56 |
| Air Conditioning | 0.37 |
| ICT Equipment (faxes, photocopiers, PCs etc) | 0.19 |

* based on difference between MTP Reference and Policy Line at 2010

Exceptions and other points to note:

- Heating & hot water is by far the largest energy-consuming sector, but its focus only on product efficiency has severely limited savings potential as expressed through MTP. Expansion is proposed to begin applying the MTP process with a wider range of policy areas and stakeholders, including 'heat replacement effects' from improved insulation etc, and operational aspects (i.e. user behaviour etc).
- Consumer electronics continues to be a dynamic and demanding sector. A significant emerging product is the Digital Adaptor (for analogue TVs to

receive digital signals) – action now could avert a significant increase in consumption when these are deployed across UK households.

- The motors portfolio is under review at present. Lack of product sales data has severely hampered modelling, and a new approach based around policy approach to systems such as pumps, fans and air compressors is being drawn up for consideration.
- The air conditioning sector has shown good progress in achieving buy-in from stakeholders, notably CIBSE.
- Product sales data is fundamental to underpin robust energy projections. The proposed budget would cover GfK (or similar) purchases by sector managers for use in the What-If model, and other sector analysis.
- The sector response budget allows sector managers headroom to respond to specific small-scale opportunities as they arise during the course of the year. Recent examples include providing advice to EST on targets for the Energy Efficiency Recommended scheme, providing a Briefing Note on cold wash cycles to support policy discussions with EC, answering PQs.

Reserve items include:

- Establishing ‘best in class’ products, to provide achievable target efficiencies for designers. Particularly applicable to the consumer electronics sector.
- Project to monitor actual consumption of products in the domestic environment for which no reliable data exists, such as recording equipment, TVs, hi-fi etc.

4.2.2 Programme Development

| | |
|---|----|
| Programme outreach to UK customer base | 22 |
| International outreach, incl. MTPIF - development/outreach and web site, IEA MT annex etc | 34 |
| Product Specifications, Test Methodologies , Databases: includes UKEPIC initiative, best practice and min performance standards, test standards, compliance | 84 |
| Cross-sectoral and experts base support | 15 |
| Product research and design initiative | 8 |

163

Main activities to be funded are:

- Product Specifications, Test Methodologies , Databases :
 - Development of best practice/minimum standards methodology for product performance and supply chain critical path behaviour.
 - Development of UKEPIC which includes strategic direction and general maintenance of the www.ukepic.com web site, and strategic MTP

approach on test standards.(Note: A £50k fund for acquiring new product performance data is built into this budget).

- Development of international compliance co-operation to build on a terminating SAVE project in which MTP has been involved.
- UK Customer Base Outreach: To develop relationships with other government programmes and policy initiatives through practical shared projects that will lead to longer term buy-in with MTP and better integration of resource efficiency policy. The principal groups for relationship building this year include Energy Saving Trust, Carbon Trust, DTI, DEFRA (SEP, WRD & EBC), DfT (Department for Transport), OFGEM and energy providers, Environment Agency.
- International Outreach: To influence international policy and market players through a co-ordinated country approach and an informed knowledge base. This is a two phased approach, focusing on Europe initially, then globally. This years activity comprises the European approach with targets including International trade associations, Government representatives (through MTPIF collaboration AND individually targeted), International standards (through working with CENELEC/IEC and networks), European Commission.
- Product research and design initiative: The aim is to influence the product & systems development and design process and establish cross-business agreements on fundamental design issues that span several generic product categories or several generations of product. Examples include power supply design, communications protocols, embedded silicon designs, software and generic control technology (of which stand-by is an example). This approach would be targeted principally at products and services about to emerge into marketplace where there will be rapid growth in ownership/service levels
- Cross-sector and experts base support: This comprises the development and informing of the MTP experts database, together with the management of information/action flows with sector managers on broad developing policy areas (eg the EU Energy Efficiency Requirement draft directive, WEED etc)

Main reserve item:

- Development of a commercial water sector policy brief , product performance survey, test methodologies and performance standards to inform the development of ECAs for commercial water products (as prescribed by the Green Technology Challenge following this years HM Treasury Budget announcement). This would potentially be a co-operative project with DEFRA's Envirowise programme and Water Regulation Division. *Estimated value £60k*

4.2.3 Knowledge Management

| | |
|---|-----------|
| Knowledge Mgt strategy development | 1 |
| Data Management | 22 |
| What-If tool design & development | 15 |
| Asset Register (integration into website) | 2 |
| | 40 |

Main activities to be funded from this budget area are:

- Management of product data, including cross-sector negotiation with GfK, cleaning and cross-referencing data with other information sources before handing on to sector managers.

- Implementation of the What-If tool across all product sectors. Prior to implementation there will be some minor enhancements to the export and graphing functions of the tool.
- Management of asset register, this will continue in its current form until the redevelopment of the main MTP website is complete. At that stage the maintenance role will be shared across the MTP team.

Main reserve item:

- The What If tool can be enhanced further to include new product areas and improve the administrative function and initiate a reporting function. As the tool is used in earnest by sector managers it is likely that further needs and opportunities will be identified.

4.2.4 Marketing communications and web site

| | |
|--|------------|
| Marketing communications. Including: Intro pack, bulletins, managing presentational consistency and limited press releases | 45 |
| New MTPROG web site, specifying, preparing text, delivering programming, hosting and maintenance | 75 |
| MTP annual showcase | 12 |
| | 132 |

Main activities to be funded are:

- Producing an MTP Introduction pack – MTP is difficult to explain to potential customers and stakeholders. This work would deliver six to ten sheets that introduce the concept and benefits of MTP. Electronic version and very limited paper stock.
- To help establish the credibility and accessibility of MTP data, presentational consistency is important. This focus develops the required templates and management to ensure this.
- Periodic MTP news & feature email bulletins for customer base and key stakeholders disseminated via email and web site
- Interim management of current www.mtprog.com web site until the new site is up & running
- Specify, contract and deliver new www.mtprog.com web site. To identify, develop and implement an integrated knowledge management system, tailored to the needs of the discrete target audiences, enabling the collection, analysis organisation and presentation of the programmes strategic knowledge assets. Built into the site will be extensive website reporting tools that can be tailored to specific team member needs (eg statistics on how the users are interacting with specific pages, league tables for policy briefs accessed etc).
- Annual workshop for MTP customer base hosted at DEFRA to present and discuss MTP achievements and how the accumulated knowledge base is applied to policy development.

Main reserve items:

- Broader range of news features & email bulletins to stakeholders on policy developments and MTP work
- Introduction pack and key MTP documents provided on mini-CD-ROM for stakeholders and customer base.
- Increased press management, including writing, distributing and following up news releases/advertorials or sponsored features on MTP projects and activities

4.2.5 General management

This budget covers project management and reporting to the customer via QPR and MTAG.

It also covers an annual cross-sectoral workshop for the MTP team. This will review progress, share best practice and ideas, and develop the main themes for pursuit during the subsequent 12 months.

4.3 BUDGET SPLIT BETWEEN CONTRACTORS

| Budget split between contractors | £k | % |
|---|-----------|-------------|
| AEA Technology Environment | 403 | 50% |
| BRE | 162 | 20% |
| ITS-RTC | 87 | 11% |
| Other contractors | 147 | 18% |
| | | 100% |

This follows DEFRA guidance that the lead contractor's funding should not exceed 50% of the available budget.

4.4 HOW WE WOULD MEET BUDGET CAPPED AT £550K

If the budget were capped at £550k, the following broad cuts are proposed:

- Cap sector activities at similar levels to previous, reduce Ecolabelling. This would severely limit expansion of three areas showing potential for significant growth of buy-in:- heating & hot water, consumer electronics and air conditioning. Ecolabelling programme would be some £35k short of desired levels.
- Programme Development:
 - Cut support for IEA Market Transformation Annex
 - Cut development of a strategic MTP approach/integration with the Test Standards field
 - Cut development of the EU international compliance network
 - Cut development of the product Research and Design cross-sectoral initiative

- A reduction in the UKEPIC product database budget fund from £50k to £40k.
- Knowledge Management:
 - A reduction in the data purchased or acceptance of a lower quality data set would enable the Data Management budget to be cut from 22k to 10k
- New web site would not be possible. A minimal budget would be spent to maintain the existing site
- Other marketing and communications initiatives would be limited to the Introduction pack, managing presentational consistency and basic media management and a few press releases. MTP news & feature bulletins to stakeholders would be dropped.

5 Discussion points for MTAG

1. Are any significant policy areas or opportunities missing?
2. Have we got the balance of expenditure across the product sectors about right? Particularly developing domestic water Policy Briefs with similar budget to other energy products.
3. In the case of a capped budget, are the right activities being scaled back?