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OFGEM PUBLISHES FINAL GUIDELINES FOR GREEN SUPPLY

Energy regulator Ofgem has today (Wednesday) published the final set of revised guidelines on how suppliers should market green electricity tariffs to make it clear to customers whether these tariffs are truly 'green'. The guidelines will form the basis for an independent accreditation scheme for green tariffs. The guidelines and the accreditation scheme will help to reduce customer confusion and rebuild their trust.

Under the accreditation scheme, a tariff will only be regarded as green if it brings additional environmental benefits beyond the suppliers' existing Government environmental obligations.

The big six energy suppliers and Good Energy have signed up to the guidelines so far and Ofgem welcomes their participation. Ofgem has now asked them to start work immediately on setting up an accreditation scheme that will enable householders and small business customers to easily compare green offerings based on the carbon emissions they reduce. The scheme will be run by an independent body.

Ofgem will work with the suppliers to set up the accreditation scheme by summer 2009. Ofgem envisages that information on accredited green tariffs will be made available to customers online.

Customers who are concerned about reducing their carbon footprint should first consider energy efficiency in the home or work place. If they wish to go a step further they will soon be able to compare and buy accredited green tariffs which have genuine environmental benefits.

The guidelines and accreditation scheme will require suppliers to show that their green tariffs are based on environmental activity that goes beyond their legal obligations to help reduce carbon emissions.

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Notes to editors

A fact sheet on green tariffs and Ofgem's green supply guidelines is available to download from this link: <http://www.ofgem.gov.uk/Media/FactSheets/Pages/FactSheet.aspx>

1. What is a green supply tariff?

A green tariff is an electricity tariff marketed as having environmental credentials. Around 319,000 customers are currently signed up to green tariffs.

2. Where can customers go to get advice about energy efficiency?

Energy suppliers provide customers with advice on steps they can take to be more energy efficient. The Energy Saving Trust also provides independent advice and help to customers.

3. Changes to the green supply guidelines

Since its last consultation on green supply in July 2008, Ofgem has made a few changes to the guidelines following meetings with individual suppliers and consumer organisations. The main changes are highlighted below:

Scope of the guidelines

Currently, the guidelines and accreditation scheme only apply to tariffs for domestic and small business customers. They don't apply to green tariffs offered to the Industrial & Commercial (I&C) sector because respondents to Ofgem's July 2008 consultation on revising the guidelines considered that Ofgem should focus on establishing an accreditation scheme for domestic and small business customers first. The I&C sector can look to the Department for the Environment Food and Rural Affairs Guidelines for Company Reporting on Greenhouse Gas Emissions for how green supply contracts should be treated. These guidelines enable businesses to report their impact on the environment by converting utility bills, car mileage and fuel consumption, into carbon dioxide equivalent data.

Additionality

Ofgem's proposals require that for a tariff to be accredited under the accreditation scheme and marketed as 'green', suppliers must demonstrate that it delivers a positive environmental benefit. Currently, some suppliers simply re-package their existing generation portfolios, including the renewable energy that suppliers source in compliance with the Renewables Obligation (RO), to present their tariffs as 'green'. Under the guidelines, to demonstrate the delivery of an environmental benefit over and above what suppliers are already required to do, a supplier must undertake an environmental activity which abates at least a minimum threshold of carbon dioxide equivalent emissions. For domestic green tariffs, the minimum threshold will be set at one tonne of carbon dioxide equivalent emissions abated a year if the environmental activity is carbon offsetting and a lower, but material, amount for all other environmental activities such as community-based renewable electricity projects. For green tariffs marketed to small businesses the thresholds will be scaled up accordingly. If the environmental activity is carbon offsetting then it must be in compliance with the Government's Quality Assurance Scheme for Carbon Offsetting.

4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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