

R/26

ENERGY CUSTOMERS PREPARED TO PAY TO HELP CUT CARBON EMISSIONS

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- **Customers expect to pay for measures that will reduce emissions**
- **But they think business and energy suppliers should pay for their share of emissions reduction**
- **Policies to cut carbon need to be more effectively communicated to customers**

Research commissioned by energy regulator Ofgem shows that energy customers are prepared to accept increases in their energy bills to cover the cost of reducing carbon dioxide emissions.

The research, published today (Monday), shows that many customers who are sceptical about the impact climate change is having and the programmes in place to curb carbon emissions are willing to pay up to £15 per year (see note three). People who are very supportive of carbon abatement programmes and can afford to do so would pay £50 to £100 to support these programmes.

However most feel strongly that business and energy suppliers should bear the majority of the costs.

The research is part of Ofgem's Consumer First project which aims to get a better understanding of consumers' concerns about their energy consumption.

Ofgem Chief Executive, Alistair Buchanan, said: "Household emissions account for nearly a third of Britain's emissions so it is vital that customers are willing to shoulder some of the burden of tackling carbon emissions. Our research shows that there is a willingness from most consumers to help tackle carbon emissions, but there is confusion and pessimism about how effectively industry and government can fight climate change.

"So the challenge is to convince consumers that the bill for reducing emissions is a fair reflection of the real cost of making those reductions and to communicate effectively how government and business are tackling the problem. UK consumers will rightly demand an explanation when their bills go up that these costs have been incurred as efficiently as possible."

Most of the customers interviewed were aware of simple steps they can take to reduce energy consumption, such as turning off lights and not leaving electrical equipment on standby, but they felt that modern lifestyles make it difficult to be energy efficient. They believed that tackling climate change is a collective responsibility for the government, business, suppliers and customers.

The project demonstrates Ofgem's commitment to develop a stronger dialogue with domestic consumers and to tap into growing awareness of environmental issues to help inform our policies.

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Notes to editors

1. A copy of the research carried out for Ofgem is available on the website www.ofgem.gov.uk

2. Energy customers are already paying for environmental programmes such as the Renewables Obligation (RO) and the Energy Efficiency Commitment (EEC) and indirectly through higher wholesale electricity prices for the EU Emissions Trading Scheme. These programmes are designed to encourage more renewable electricity generation and stimulate energy saving in the home respectively. The RO currently makes up around 2% of a household energy bill (around £7 per year). However, this is set to rise to as much as £20 by 2015. During the first phase of the EEC (2002-2005) energy suppliers saved a total of 86 terawatt hours of energy against a target of 62 terawatt hours. The cost to customers was £3 per fuel, per year. Phase 2 of the EEC (2005-2008) is likely to cost £9, per fuel, per year, as the target suppliers have to reach has doubled to 130 terawatt hours.

3. The survey was carried out for Ofgem by an independent company which interviewed sixty people of various ages in three different locations around the country – London, Bristol and Glasgow. The customers gave their initial views during two hour deliberative forums. They were then given 10 days to study an information pack about climate change and programmes to cut emissions. This was followed by day-long sessions to further discuss their views.

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 functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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