

BAA Comments on Guidelines on Green Supply Offerings

Overview of Major Customers Views

BAA and BT jointly sponsored a review of this issue with Forum for the Future and the Business Council for Sustainable Energy in 2004. A summary of the findings is attached. The key issue for major industrial and commercial customers is one of additionality and reporting. Given the increasing pressures of OFR and Carbon Disclosure we need to be able to consider green energy purchasing in a manner that enables us to satisfy our auditors that we have made a genuine additional carbon reduction as a result of our purchases. This option would be compared to other methods of carbon reduction (energy conservation, self-generation, purchase of EUETS credits, sequestration etc.) to make an informed purchasing decision.

The current market does not enable us to do this. As I&C customers come under increasing pressure to achieve more challenging carbon reduction targets they will simply select alternative solutions if the purchase of green energy is not transparent and additional. Customers are becoming increasingly cynical about “Green” energy, something needs to be done to rectify the situation of the demand side is to play a part in stimulating investment in renewable energy.

Comments on the Document

We fully support the principles of transparency, additionality and verification.

2.7 The definition of additionality needs to be made clear in terms of the renewables obligation. Some suppliers claim to make a “Green” offer when they sell the ROCs but re-invest the profit in more renewable energy (for which they presumably plan to sell the ROCs when complete). If this is deemed to be additional, customers require guidelines on how much carbon abatement they can actually claim in their environmental reports. If a “green” offer is not considered to be additional unless the ROCs are retired, we should say so.

3.1 Whilst the opportunity to comment on the guidelines is welcome, this paragraph seems to imply that suppliers were consulted in depth on the development of the guidelines but customers were not. We would welcome the opportunity for constructive dialogue on this issue going forward.

3.10 The definition does not seem to take into account good quality CHP. At present it is possible to buy CCL exempt energy from this source but there are no guidelines to suggest that customers may count the carbon abatement benefit of this source in our reports, most customers use the general grid mix in the absence of firm guidance. It would be helpful for customers to claim some benefit from this source as a much needed stimulus to the UK CHP stock.

3.20 We support the idea that REGOs should be the definitive evidence of green supply but this does not deal with additionality. Clear definition is needed around the commercial treatment of ROCs. As mentioned above, consideration is needed for carbon abatement solutions such as CHP which, although not “green” do provide some level of abatement that should be recognised.

We support the principles in the section on “Definition, measurement and standards for additionality” but the issues are far too complex for most customers to understand. An output of this process needs to be a clear and simple guide for customers on how “green” offers are defined and certified and what percentage of carbon abatement they can claim against the standard grid mix if they buy this option.

3.34 As a customer we do not have enough detailed knowledge to recommend how standards of additionality should be set, but we would like to be part of the debate to ensure that any outcome reflects the needs of customers, rather than the most convenient option for suppliers.