



**WWF** *for a living planet*

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## **WWF's Key Asks in response to the parallel consultations on Green Energy Tariffs – on the new Proposals for Revised Guidelines and Accreditation Scheme from Ofgem and EST (July, 2007)**

WWF-UK welcomes the opportunity to respond to the two related consultations and please find written below WWF-UK's main messages and overall response to the two parallel consultations led by Ofgem and the EST on their new proposals for green energy tariffs guidelines and accreditation scheme.

WWF-UK, as part of the WWF global network, believes that the key to an effective climate change mitigation programme is the reduction in CO<sub>2</sub> emissions by a rapid shift away from the use of fossil fuels in the energy sectors. Breaking the addiction to fossil fuels would also help to enhance energy security and reduce other serious environmental impacts arising from fossil fuel extraction and burning. Hence, WWF is convinced that increasing the proportion of renewables in the energy mix and reducing energy consumption are key ways to reduce CO<sub>2</sub> emissions and combat climate change.

### **Introduction:**

With regards to the parallel consultations on green/renewable energy tariffs and accreditation, WWF-UK believes the lack of credible and meaningful mandatory minimum common standards for green energy tariffs has caused significant confusion in the public domain. It has also left space for some supply companies to make misleading claims and green-wash with regards to the true sourcing and make-up of the electricity supplied to customers on certain 'green' tariffs. This is highly damaging and risks creating cynicism.

WWF-UK believes all energy suppliers (of electricity and gas) operating in the UK should be required to present all of their renewable energy tariffs for independent, third party audit and accreditation for true renewables and additionality criteria. WWF-UK also believes that if a supply company's renewable energy tariff fails to meet Ofgem's revised mandatory minimum green energy supply guidelines, it should not then be eligible for assessment by EST for the proposed kite-mark accreditation scheme.

Thus, in this way Ofgem and EST will have done much of the work for the customer and along with adequate compliance and enforcement procedures by Ofgem, this would ensure adequate protection for the customer against potential green-washing of a supplier's unaccredited tariff/offers and improve customer confidence and clarity in what they purchase.

## Recommended Guiding Principles:

WWF-UK strongly recommends several important guiding principles to which we urge Government, the regulator Ofgem, and the EST to adhere when making decisions during this consultation process. For example;

i) There are many important parallels and lessons to be learnt from the recent UK carbon offsets debate which Ofgem and EST should consider during this consultation when assessing how UK green energy tariff guidelines need to be revised and an accreditation scheme created. The first principle is additionality and so can only define a product (tariff) as green if it was truly additional and delivering additionality. In the case of green/renewable energy tariffs this means sourcing and supporting electricity and/or heat from renewable sources over and above current minimum UK legislation. But if a tariff doesn't deliver on additionality, then it will not be adhering to Ofgem's revised mandatory minimum guidelines (code of best practice) and would be exposed as such and not allowed the title of renewable/green energy tariff.

ii) WWF-UK strongly believes the whole debate around green energy tariffs should be clearly assessed against the need to achieve real reductions in 'carbon intensity of UK grid-average electricity' and their role in accelerating the shift to a lower-carbon energy system. Proving and enforcing additionality of new renewable electricity generation over the UK Renewables Obligation (RO) and encouraging renewable heat schemes are key ways to increase the proportion of renewables (and decrease carbon) in the UK energy mix.

iii) WWF-UK believes Ofgem and EST should use the following definition for 'green energy tariffs' if they keep the term; an energy (electricity or gas) supply contract between an energy supply company and customer which provides electricity from true/pure renewable energy sources, such as wind, wave, solar and biomass, as well as providing additional environmental benefits where possible.

Also, WWF-UK believes that as the regulator it is Ofgem's responsibility to regulate and so Ofgem must be the body that customers can be sure has set the ground rules sensibly and is ensuring all renewable tariffs do 'what they say they do on the tin'. Thus, making this experience easier for customers and minimising the amount research the customer feels they need to do.

In addition, the term clean/green energy does **not** and must **not** include nuclear power nor electricity generated from nuclear power stations. WWF-UK strongly believes that given the wider highly negative environmental impacts of nuclear power generation (such as toxic radioactive wastes) electricity from nuclear power generation can **not** be described as 'green' electricity, despite being a lower emitter of point source CO<sub>2</sub> emissions than other large, centralised power stations, such as coal-fired stations.

iv) As Ofgem is the independent regulator for Britain's gas and electricity services, tasked with; "promoting choice and value for all customers, as well as contributing to the drive to curb carbon emissions/climate change", then WWF-UK believes Ofgem should introduce and enforce some fundamental basic principles through their regulatory powers to ensure customers and climate are protected. For example, WWF-UK believes Ofgem's current mantra of 'Better regulation' should not mean no/weakened regulation or no ground rules, but alternatively it should mean setting robust boundaries, high environmental standards and clear broad framework within which energy companies can compete and innovate.

v) WWF supports the principles behind the Renewables Obligation (RO) – to actively encourage the development of new renewable electricity generation, However, since 2002,

the effect of the RO on the green energy tariff market for consumers in the UK has created much confusion. Hence, there is perhaps a greater need for a high level of robustness of additionality assessments in the UK in order to prevent customers paying twice unknowingly and to increase the build rate and capacity of renewable energy technologies. In this context we note the Government's goals for the RO do not yet go far enough to meet the UK's share of the new **EU 20% renewable primary energy target by 2020** – a binding target which the UK signed up to earlier this year.

### **Revised Green Supply Guidelines (Ofgem Consultation):**

WWF-UK strongly urges Ofgem to ensure its revised green supply guidelines are made **mandatory minimum best practice**, not voluntary as at present, and believes the guidelines should **not** be extended to cover non-renewable, low carbon forms of electricity generation, as most, especially nuclear, are not 'green' nor clean, as they produce many other pollutants, such as toxic radioactive waste.

To date, no other Member State energy regulator has proposed such green energy supply guidelines like the UK regulator, and so it is very important that Ofgem sets a very good example here to the rest of the EU by producing **clear, robust mandatory minimum best practice guidance with high consumer and environmental standards** in order to provide green regulated space in which energy supply companies can compete and innovate in the UK.

We note that the EU Electricity Directive, 2003/54/EC (Article 2), stipulates that only electricity from wind, solar, geothermal, wave, tidal and biomass can be defined as renewable/green electricity.

WWF-UK believes that as the regulator it is Ofgem's responsibility to regulate and so Ofgem must be the body that customers can be sure has set the ground rules sensibly and is ensuring all renewable tariffs do 'what they say they do on the tin' (i.e. enforcement and compliance to best practice). Thus, making this experience easier for customers and minimising the amount research the customer feels they need to do.

If it is deemed by Ofgem that further guidance on supply for electricity generated from nuclear and coal-fired power stations are required by consumers (business or individuals), then Ofgem should produce completely separate guidelines that are alternatively titled, so the current guidelines for green supply remain 'green' and clean and only include guidance on the supply of electricity from the pure renewable sources of energy, like wind, wave, solar and biomass. However, for reasons described above, WWF-UK believes the term 'low carbon' is far too vague and misleading to substitute for 'green' in this topic area.

WWF-UK would prefer the term "green energy tariff" to be dropped, and replaced with the term "renewable energy tariff". If suppliers wish to offer CHP, clean coal or nuclear tariffs these should be clearly labelled as such, (not as low-carbon or green) and then separate guidelines be developed for them by Ofgem too. In addition, WWF-UK believes the accreditation scheme that the EST is developing should only be applicable to renewables, as including other types of offerings, such as offsets will only over-complicate the already complex message.

Furthermore, WWF-UK also believes that Ofgem must stipulate that if an energy supplier offers a green/renewable energy tariff, this must be reflected in actions to generate and supply renewable electricity that is additional to the regulatory requirement of the RO. In addition,

WWF-UK believes that evidence must be made available by the energy supply companies to support claims, such as on customer's bills as standard from January 2008.

### **Proposed Accreditation Scheme (EST Consultation):**

WWF-UK believes all energy suppliers (of electricity and gas) operating in the UK should be required to present all of their renewable energy tariffs for independent, third party audit and accreditation for renewables and additionality criteria. However, if any tariffs fail to meet Ofgem's revised minimum, mandatory green supply guidelines, none should then be eligible for EST's proposed kite-mark. Along with adequate compliance and enforcement procedures/mechanisms put in place by Ofgem, this would then ensure adequate protection for the customer against potential green-washing of a supplier's unaccredited tariff/offering and improve customer confidence and clarity in what they purchase.

Only when robust additionality criteria are used and met can it be claimed that green/renewable energy tariffs are a useful tool in contributing to the development of new renewables capacity and reducing carbon emissions. This underlines the three-fold purpose of an accreditation scheme according to the EST:

- to ensure that products in the market meet agreed standards, both in terms of their "greenness" and also the accuracy of information about the product.
- to provide consumers with confidence in the green offerings they are buying.
- to provide a means of promoting and publicising both the scheme and the products, thereby encouraging increased uptake of accredited green offerings by households and businesses.

As stated in papers recently produced by the EST and also the NCC, only around 1% of UK households are currently signed up to a green energy tariff, and out of 25 million UK households this equates to approximately 200-250,000 customers currently paying for a green tariff. However, since 2002 the effect of the RO on the green energy tariff market for these customers has created much confusion.

As mentioned above, WWF-UK supports the principles behind the Renewables Obligation (RO) – to actively encourage the development of new renewables capacity in the UK energy mix, but also believes there is a strong case for an independent accreditation scheme to be created in the UK and to be run by an experienced third party, EST.

WWF-UK warmly welcomes the news that the EST have been chosen and have agreed to run the accreditation scheme for the UK green/renewables tariff market and we urge Government and industry to amply fund the management of the accreditation scheme from the outset and for its long-term duration.

Since 2002, WWF-UK and other stakeholders have been pressing for such a robust accreditation scheme to be created and way back in 2002-2005 (after the collapse of the EST run 'Future Energy Label' in 2001) the UKBCSE facilitated meetings between the main energy suppliers, Environmental NGOs, DTI, Ofgem and the EST in an effort to discuss and seek agreement.

Hence, there was and is still a greater need for a high level of robustness of additionality assessments in the UK due to the complex nature of the UK market, in order to prevent customers paying twice unknowingly and to increase the build rate and capacity of renewable energy technologies in the UK energy mix, as the Government's RO goals do not yet go far

enough to meet the UK's share of the new **EU 20% renewable primary energy target by 2020** – a binding target which the UK signed up to earlier this year.

With regards to the important additionality debate, in a scenario where a supplier uses Renewable Obligation Certificates (ROCs) as evidence of supply to customers on a green tariff, but also uses the same ROCs to meet its obligation, there is no net impact on the market, as the remaining customer base is then supplied with a higher proportion of non-green electricity. In a scenario where a supplier takes a ROC out of circulation ('retires' the ROC), no additional impact is seen in the short-term because the market is currently supply-constrained.

However, retiring ROCs creates a further degree of scarcity and thus increases the market value of the remaining ROCs. This increases the incentive for generators to supply more renewables or build new renewable capacity. It should be noted that the volume of ROCs retired would need to be significant for it to have an appreciable impact on the market price.

Hence, similar to the views stated by the EST and NCC, WWF-UK also believes that the only way for true additionality to be demonstrated on a green/renewable energy tariff is for the supplier to **own/retire all 3 certificates** associated with the electricity supply: ROC, LEC and REGO.

WWF-UK believes another appropriate indicator of additionality for green energy tariffs could be those based on *fund schemes* as they may deliver the most environmental benefit. One potential option to ensure additionality over the RO would be if the funds were invested specifically in new **renewable heat** projects. Also, WWF-UK believes that it is reasonable to conclude that the carbon emissions reduction achieved by an energy tariff is zero if no additionality is delivered, so companies should not be able to advertise products and tariffs that without robust additionality as 'green' or as 'carbon neutral'.

Also, WWF-UK does **not** believe carbon offset schemes should be eligible for inclusion in green/renewable energy tariffs nor additionality criteria. The inclusion of carbon offset products would again confuse and over-complicate an already complex message and so WWF-UK believes if an energy company wants to sell a carbon offset product then it should do so separately under a separate code of best practice, such as the code recently produced by DEFRA.

WWF-UK and several other stakeholders regard the green electricity market as a voluntary support mechanism for renewable energy and for this reason consumers/customers who switch to green/renewable energy tariffs expect a positive effect on the environment as a result of their purchasing decision. In order to ensure this effect and confidence/trust, WWF-UK strongly believes a robust a well advertised kitemark label is needed from an independent accreditation scheme to ensure true additionality, as opposed to increased revenue for companies which might only be using the money to pay for the minimum requirements they are already legally required to do.

Hence, WWF-UK agrees that a **single** (or two-tier) **certification mark** would be the preferred, most straightforward option and as such would benefit from greater recognition. It is also important however that the environmental standards are set high.

Thus, WWF-UK strongly believes that a simple kitemark label as proposed by the EST is by far the most ideal certification/stamp option, and not the confusing matrix idea proposed by Ofgem, which tries to 'shoe-horn' in far too much information on non-green, low carbon technologies, as opposed to pure renewable energy technologies.

In relation to labelling, the ‘**Eugene Standard**’<sup>1</sup> is a European benchmark for green energy tariffs, supported by a wide coalition of environmental and consumers groups, including WWF. Eugene has developed a meta-standard (the ‘Eugene Standard’) for green electricity to which national green energy labels/kitemarks can be accredited, provided they meet this minimum standard. The main elements of the Eugene Standard are eligibility, additionality and Independent third party verification. Hence, WWF-UK believes that EST’s one or two Kitemark preference would fit well with the Eugene system here, as the Eugene label may apply to two categories of green electricity offerings too. For example, Eugene’s two-tier Kitemark (silver and gold labels).

Thus, in summary, similar to the key recommendations given in the recent NCC report, ‘Reality or Rhetoric’ (2007)<sup>2</sup>, WWF-UK also believes that all energy suppliers must behave in the following routine and transparent ways;

- sign up to a consumer code based on Ofgem’s revised green supply guidelines, and undertake and provide full and accurate information about the tariffs they offer, and not make claims that can not be substantiated.
- have their tariffs independently assessed and audited against a benchmark, such as EST’s proposed 1 or 2 tier Kitemark for additionality, and to inform consumers of their households likely carbon emissions reductions if they switch to a credible and certified green tariff, as well as providing proportion of electricity from true additional renewables (and state the grid average carbon content of electricity for comparison) on all customers’ bills as standard from January 2008.

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<sup>1</sup> <http://www.eugenestandard.org/>

<sup>2</sup> [http://www.ncc.org.uk/nccpdf/poldocs/NCC144rr\\_reality\\_or\\_rhetoric.pdf](http://www.ncc.org.uk/nccpdf/poldocs/NCC144rr_reality_or_rhetoric.pdf)