



Ms Clair Hogg,
European Strategy and Environment
OFGEM
9 Millbank
LONDON. SW1P 3GE

9th January 2008

RE: Response to Consultation ref 275/07, *Cutting the green customer confusion – next steps*

Dear Ms. Hogg,

Thank you for your invitation to respond to Ofgem's consultation document *Cutting the green customer confusion – next steps*, published on 21st November 2007. This response is from the Camco Group, incorporating Energy for Sustainable Development (ESD) and the Edinburgh Centre for Carbon Management (ECCM). ESD and ECCM are recognised centres of expertise in climate change and energy.

ESD had an important role in the design of the RO scheme and in developing the methodology CLG is adopting for building Display Energy Certificates (DECs), and is involved in a large number of carbon management initiatives with local authorities and businesses with the Carbon Trust.

ECCM is one of the leading greenhouse gas analytical facilities working with the Carbon Trust on the development of standards for reporting the carbon intensity of manufactured products, and also has a strong track record in GHG assessment of biofuels, food products and materials used in construction. ECCM was also involved in the design of the WBCSD-WRI greenhouse gas protocol, which is the main protocol used for corporate reporting of GHG emissions.

Key Points in Camco's Response

Camco has three serious concerns with Ofgem's current proposals:

1. The current proposals do not sufficiently address the issues of double-counting the zero or low emissions from renewable electricity, or the lack of additionality for renewable electricity purchased on a green tariff. Unless these issues are addressed purchasers of green tariff electricity should not be entitled to claim zero or reduced emissions in their carbon accounting.

This issue is important as the principal reason businesses and organisations wish to purchase green tariff electricity is to allow them to claim a real reduction in the carbon intensity of the electricity they purchase (i.e. entitle them to apply a zero or low emissions factor for green tariff electricity when undertaking corporate greenhouse gas emissions reporting).

Camco strongly suggests that unless the issues of double-counting and additionality can be addressed Ofgem, and Defra (through its guidance on conversion factors) should make clear to purchasers of green tariff electricity that they are not entitled to claim zero or low emissions for the purchased electricity. Companies offering green tariff electricity should also be obliged to make clear that customers cannot claim zero or reduced emissions.

2. The method used for determining the carbon intensity "banding" for electricity generated from biomass is inconsistent with other reporting methodologies (e.g. the RTFO carbon reporting). RTFO carbon reporting counts the release of biogenic carbon, as distinct from fossil carbon, at the point of combustion as having an emissions factor of zero.

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3. Ofgem's proposals do not consider the impact of allowing zero or low emissions factors for green tariff electricity on important climate change policies such as Display Energy Certificates (DEC) and the Carbon Reduction Commitment (CRC). These issues should be considered in Ofgem's proposals.

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Further discussion of double-counting and additionality as constraints on entitlement to claim zero emissions from green tariff electricity:

At present Defra's guidance on greenhouse gas conversion factors for company reporting (Defra 2007) states that a "zero conversion factor can only be applied if your company has entered into a renewables source contract with an energy supplier, that has acquired Climate Change Levy Exemption Certificates (LECs) for the electricity supplied to you as a non-domestic electricity consumer."

This guidance is problematic for two inter-related reasons (both of which are mentioned in Ofgem's consultation document, but Ofgem's current proposals are not sufficient to address either problem):

1. **Double-counting.** The lower emissions associated with renewable electricity are included in the calculation of Defra's published emission factor for UK grid electricity ($0.523\text{kgCO}_2/\text{kWh}^1$), if the same renewable electricity is sold through a green tariff and the purchaser claims zero or low emissions then the "benefit" is double-counted.

One, largely unrealistic, solution to this problem is to adjust the UK grid emission factor so that it does not include the amount of renewable or low carbon electricity purchased through green tariffs. This would allow the purchaser of green tariff electricity to claim zero/low emissions for the electricity purchased (and avoid double-counting). However, the standard UK grid factor would have to be changed continually as electricity consumers switch on to or off green tariff contracts.

2. **Additionality.** Electricity suppliers are obliged under the Renewables Obligation (RO) to supply a certain percentage of electricity from renewable sources (or pay a buy-out price). Renewable electricity sold through a green tariff would be produced regardless of the green tariff, and so the purchaser will not have increased the amount of renewable electricity generated (i.e. there is no additionality).

The additionality issue should not necessarily disallow a green tariff purchaser from claiming zero emissions, if the double-counting issue is resolved. However, claiming zero emissions without resolving the additionality issue may be perceived as an accounting "trick" (it allows an organisation to claim lower emissions without reducing actual emissions²), and will therefore be undesirable to most businesses and organisations (who wish to achieve real emissions reductions)³.

If a green tariff is to entitle the purchaser to claim zero or lower emissions then the double-counting issue, and ideally the additionality issue, should be addressed. If these issues cannot be resolved then Camco strongly recommends that Ofgem, and Defra (through its guidance on conversion factors) should make clear to purchasers of green tariff electricity that they are not entitled claim zero or low emissions for the purchased electricity. Electricity suppliers offering green tariff electricity should also be obliged to make clear that customers cannot claim zero or even partially reduced emissions. That is, electricity purchased through a non-additional green tariff should have the same carbon emissions factor as for the overall UK grid-supplied electricity, which already takes into account the renewables contribution.

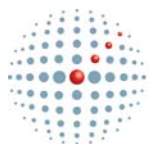
The onus is on green tariff electricity suppliers to find solutions to the double-counting and additionality issues. If robust solutions cannot be found then, as stated above, Camco strongly recommends that guidance and obligations are put in place (by Ofgem and Defra) to ensure purchasers of green tariff electricity understand that they are not entitled to claim zero or low carbon emissions.

It should be noted that the double-counting issue outlined above also applies to "low carbon" tariffs. Purchasers of "low carbon" tariffs should not be entitled to claim low emissions in their carbon accounting.

¹ Available at <http://www.defra.gov.uk/environment/business/envrp/pdf/conversion-factors.pdf>

² There is a related problem of "dumping", where suppliers "dump" high carbon electricity on to unaware customers, particularly the domestic sector.

³ In ESD's experience of carbon management for both public and private sector clients there is confusion on this issue for a large number of organisations and businesses.



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No.	Chap ref	Question	Your response
1	3	Do you think that the provision of greater information will empower customers to make more informed decisions regarding their environmental preferences associated with supply tariffs, thereby providing an indication to suppliers of customer demand for renewable or low carbon forms of generation?	The provision of greater information should include a clear statement that green tariff electricity will not entitle the purchaser to claim zero or low emissions in their carbon accounting (assuming the double-counting and additionality issues are not resolved).
2	3	Do you consider it appropriate for the guidelines to be voluntary where companies 'sign up' to comply with both the guidelines and accreditation scheme?	Camco has no comment to make on this point at this time.
3	3	Do you think that the guidelines, as currently drafted, are appropriate for non-domestic customers or would changes be required to facilitate this?	The majority of non-domestic consumers purchase green tariff electricity in order to claim zero or reduced emissions in their carbon accounting. Ofgem's current proposals do not sufficiently address the double-counting and additionality issues discussed above, and so are not appropriate for meeting the needs of most non-domestic customers who are interested in green tariff electricity.
4	3	Do you think that the guidelines, as currently drafted, are useful for companies to market their corporate social responsibility?	As noted above, Ofgem's current proposals do not sufficiently address double-counting and additionality, and so do not meet the needs of the majority of non-domestic customers (see response to question 3).
5	3	Do you consider that it is appropriate for separate sets of guidelines to be created for tariffs sourced from renewable generation and those sourced from non renewable low carbon generation?	Yes. Both sets of guidelines should include a clear statement that green tariff electricity will not entitle the purchaser to claim zero or low emissions in their carbon accounting (assuming the double-counting and additionality issues are not resolved).
6	3	Do you think that it is appropriate for suppliers to provide information to customers regarding the contributions that they are already making to Government sponsored environmental programmes?	Yes, customers should be informed that the renewable electricity they are "allocated" on a green tariff is not additional.
7	3	Do you consider that information regarding the environmental benefits associated with 'green' supply tariffs should be provided to customers in a standardised format, and if so, what key information should be made available by suppliers to customers at the point of sale?	Camco supports the introduction of a standard format. Camco strongly advises that customers are informed on their entitlement to claim zero or low emissions in their carbon accounting.

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8	3	Should evidence of supply be linked to the Fuel Mix Disclosure obligations, with the subdivision of renewable generation to identify a particular technology or source?	Yes - evidence of supply should be linked to the Fuel Mix Disclosure obligations. However, the provision of information on supply technologies or sources should not mislead consumers into believing they can claim zero or low emissions from their purchased electricity.
9	3	Should LECs be provided by suppliers in respect of renewable or low carbon tariffs where available?	The provision of LECs should not mislead consumers into believing they can claim zero or low emissions from their purchased electricity.
10	3	What, in your opinion, would be the costs associated with the administration of a centrally administered 'green' fund?	Camco has no comment to make on this point at this time.
11	3	Do you agree with our assessment of the 5 options available to measure additionality including BE's and Centrica's proposals?	Camco does not believe that any of the 5 options presented in the consultation document adequately resolve the issue of additionality (in terms of allowing customers to claim they have purchased renewable electricity over and above that which would have been generated due to other obligations). ROC retirement is the nearest measure of additionality but if Ofgem is confident of its arguments against ROC retirement this is not a sufficient measure either ⁴ .
12	4	Do you think it is appropriate that renewable tariffs should comprise 100% renewable electricity or a stated percentage?	Given that green tariff electricity should not entitle the use of zero or lower emissions factors this issue is irrelevant in the context of carbon accounting.
13	4	Is it appropriate to rate supply tariffs by their carbon intensity to allow an at-a-glance comparison of different offerings made by each supplier as well as competing tariffs across different suppliers?	The provision of carbon-intensity figures is misleading as it suggests to consumers that they are entitled to use the carbon factors in their carbon accounting.
14	4	What is an appropriate treatment for electricity that is not supported by a REGO or generator declaration in order to calculate a tariff's emission intensity?	Camco has no comment to make on this point at this time.

⁴ Camco supports the ROC retirement option as the key method of proving additionality. This allows for a single, clear metric that provides a quantifiable measure of the level of additionality provided per kWh of renewable electricity sold. Camco appreciates Ofgem's concerns surrounding the effects of a sharp reduction in ROC availability due to extensive retirement. These are that a rise in ROC price will lead to generators preferring to pay the buy-out fine rather than invest in new capacity, especially in the face of supply-side constraints such as planning restrictions. The concern is that this would lead to larger recycling premiums paid to generators already meeting the obligation and so lead to consumers paying more to support the obligation whilst not stimulating new renewable investment. Camco's opinion is that despite these risks, ROC retirement is still the clearest and most effective way of proving additionality. The supply-side constraints will be a problem as much for green fund investment as for ROC retirement. Camco's opinion is that with the current fast rate of development in renewables technology and increasing emphasis on climate change in planning considerations, the guidelines should stick to the ROC retirement additionality criterion.

15	4	Is it appropriate to calculate carbon intensity using standardised emission factors at the point of generation, and recognising the lower emissions of certain technologies e.g. CCS and CHP?	The methodology used should be consistent with existing carbon reporting methodologies, e.g. the RTFO carbon reporting methodology. In terms of the emissions factor for biogenic carbon, the RTFO methodology applies an emissions factor of zero at the point of combustion. In addition - the provision of carbon-intensity figures is misleading as it suggests to consumers that they are entitled to use the carbon factors in their carbon accounting.
16	4	Should CCS be treated as a low carbon technology or should the carbon sequestered be included in the calculation of emission intensity?	As CCS will now be included within Phase III of the EU Emissions Trading Scheme (ETS), and as no CCS plants are likely to be installed before that time, CCS will not be additional (due to ETS benefit) and so need not be considered as a carbon reduction by the guidelines.
17	4	Are the illustrative bands presented in this document appropriate? If not, how should they be amended?	The method used for placing biomass in the highest banding category is inconsistent with other carbon reporting methodologies (e.g. the RTFO carbon reporting methodology, where biogenic carbon has a factor of zero). Use of sustainably-sourced biomass is an important option for renewable power generation. For biomass to qualify for ROCs but also be given the highest carbon factor is not coherent ⁵ .
18	4	Who should be responsible for setting the low carbon bands?	Camco has no comment to make on this point at this time.
19	4	Should the bandings adjust over time to reflect a growing commitment to reduce the carbon intensity? Are the 2020 or 2050 targets the most appropriate basis on which to make these adjustments?	In general there should be a growing commitment to reduce carbon intensity and if band adjustment can help achieve this then it should be done.
20	5	Do you agree with our proposals to progress compliance with the guidelines and development of the accreditation scheme?	Camco has no comment to make on this point at this time.

⁵ Camco appreciates that biomass resulting from tropical deforestation could lead to high life-cycle carbon factors. It is however critical that a system be developed to allow for differentiation of biomass depending on source, in order that biomass that is genuinely renewable and as low-carbon benefit can be included as a renewable technology. This is a very complex area due to the difficulty of certifying sources, accounting for lifecycle emissions and the inherent miscibility of biomass feedstock, even solid woodchip or pellets. Nevertheless some of the learning from the development of carbon certification for liquid biofuel feedstock under the Renewable Transport Fuel Obligation could be brought to bear for this purpose. The system need not be as complex as for liquid fuel feedstock. An initial system crediting UK grown feedstock with a lower general carbon factor could be a starting point if this does not fall foul of trade rules (perhaps adapted from the Carbon Trust figure of 0.025kgCO₂/kWh of biomass energy). In addition, the current "bandings" are based on emissions at the point of electricity generation and not the life-cycle emissions for each generating technology and feedstock. In order to ensure consistency either all technologies and feedstocks should be appraised based on fossil carbon emissions at the point of electricity generation, or on their life-cycle emissions. One method should not be applied to biomass, and a different method to the other generating technologies or feedstocks.



		Any other comments	In section 1.1 of the proposed Guidelines text, the text on additionality should be modified as follows: "customers choosing a renewable tariff need to be able to be satisfied that their support is contributing to additional environmental benefits" should read "customers choosing a renewable tariff need to be certain that their support is contributing to additional environmental benefits".
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We thank you for the opportunity to respond to these issues and would be happy to expand if required.

Yours sincerely,

Richard Tipper

For and on behalf of Camco Services UK Ltd

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