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## OFGEM CLEARS UP GREEN TARIFF CONFUSION

- **Ofgem proposes an independent accreditation scheme to give customers assurance that a green tariff comes with environmental benefits**
- **Ofgem sets a deadline of September 2008 for suppliers to sign up to new green supply guidelines**
- **Independent body will be appointed by the end of 2008 to accredit green tariffs**
- **For suppliers to get gold, silver or bronze accreditation for green tariffs they must provide clearer information on the extra environmental benefits they offer**

New guidelines to give customers more confidence in green energy tariffs have been proposed today (Wednesday) by energy regulator Ofgem. The guidelines set out the principles to which suppliers should conform when marketing green tariffs and propose an associated accreditation scheme to assure customers that these principles are being adhered to.

Around 350,000 domestic customers and an increasing number of businesses have already signed up to green supply deals, but research shows there is significant scepticism regarding environmental claims made by suppliers in relation to these tariffs.

Ofgem chief executive, Alistair Buchanan, said: "With our revised guidelines we intend to shine a light onto suppliers' green offerings to show the customer why a tariff is green. Suppliers must tackle customers' scepticism by providing much clearer information about their green tariffs to customers, so they can easily understand the extra environmental benefits the tariffs provide – our guidelines will help them to do that.

"We also urge suppliers to move quickly to establish an independent verification scheme before the end of the year, and will work with them to do that. We want suppliers to stop re-packaging their existing environmental activity as green immediately and to align their marketing with our guidelines by September 2008."

Ofgem has developed its proposed guidelines in close consultation with the industry and consumer groups. The two key principles contained in the guidelines require that green tariffs must deliver **environmental benefits** and **transparency** to customers.

- **Environmental benefits** All electricity customers already contribute to the costs of increasing generation of electricity from renewables and reducing carbon emissions – to the tune of eight to 10 percent of domestic gas and electricity bills. Some green tariffs are simply a re-packaging of these existing customer subsidies, although many do provide additional environmental benefits. Under the guidelines the tariffs must provide benefits to the environment above and beyond what the current subsidies are delivering to be accredited under the independent accreditation scheme and thus marketed as 'green'. This could, for example, involve a supplier investing on behalf of customers in demand management, renewable heat, or properly accredited carbon offsets.

- **Transparency to consumers** Consumers must be able to understand easily the attributes of competing tariffs. Therefore suppliers must be prepared to provide basic and more detailed information to explain why a tariff is green. Ofgem does recognise the strides being made, particularly by small suppliers, to educate their customers on green tariffs as well as the investments being made in small-scale renewables projects and the promotion of microgeneration.

The revised guidelines and accreditation scheme are voluntary but if suppliers do not sign up to them, the ultimate sanction would be for Ofgem to introduce a condition into the electricity supply licence which would make signing up to the guidelines and accreditation scheme compulsory.

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## Notes to editors




### 1. What is a green supply tariff?

A green tariff is an energy tariff which is marketed as having environmental credentials.

### 2. The accreditation scheme

Ofgem’s proposals require that for a tariff to be eligible for accreditation under the independent accreditation scheme and thus marketed as ‘green’, suppliers must undertake to deliver additional environmental benefits as a result (not just re-package activity to meet requirements for the Government’s Renewables Obligation and the Carbon Emissions Reduction Target). The proposals seek to ensure this by requiring that the supplier has made at least a minimum financial contribution to some activity designed to achieve additional environmental benefits. This would result in the tariff achieving a bronze additionality rating. Where suppliers seek to spend more on an activity they would be recognised through the award of a silver or gold rating. If a tariff offers no additional environmental benefit then the accreditation scheme would make this clear to customers.

The table below is an *illustrative* example of how suppliers could demonstrate that their tariffs offer additional environmental benefits. Additionality might be demonstrated using stars. For example to receive a bronze star a supplier would have to show they are making a minimum level of extra investment which would be in addition to the environmental improvements customers already pay for through the Renewables Obligation and the CERT programme. To gain a silver or gold star the supplier would have to demonstrate higher levels of expenditure.

Gold additionality	Silver additionality	Bronze additionality	No additionality
			<b>Not applicable</b>
What does this mean? Your supplier has contributed around £40 to environmental	What does this mean? Your supplier has contributed around £20 to environmental	What does this mean? Your supplier has contributed around £10 to environmental projects	What does this mean? Your supplier has not contributed to environmental projects as part of

projects	projects	this tariff
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**Note that the values to demonstrate additional activity in the table above are for illustrative purposes only. The final values for additionality and the symbols used to demonstrate it would be agreed between Ofgem and the independent accreditation body.**

### **3. Joined up Government**

Ofgem's approach as outlined above is consistent with the new approach adopted by Defra for its voluntary guidelines for company reporting on greenhouse gas emissions. Until recently, Defra permitted organisations to claim zero carbon emissions where they had contracted for a green tariff. However, in June 2008 Defra decided to amend the guidelines for the 2008-2009 reporting year to state that they anticipate that best practice will be for companies to use the average rate of carbon emissions associated with electricity generation for their reporting, unless their supplier can prove that the carbon benefits associated with their tariff are additional. This change is due to the difficulty in demonstrating that purchase of a green tariff would confer additional carbon emissions reductions over and above those that would be seen as a result of compliance with the Renewables Obligation.

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 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.

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