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Natasha Smith
Sustainable Energy Policy
Ofgem

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Dear Natasha,
I would like to respond to the consultation on green tariffs. I worked for CDP on organizational-level greenhouse gas accounting issues (“corporate footprints”) for six years. I have participated in the technical working group set up by the GHG Protocol to review accounting for purchased electricity use. Accounting for consumer support of renewable electricity has been the main area of debate for this group. In 2013 I started as full-time, ESRC-funded doctoral researcher at the University of Sussex, researching energy policy.

Rather than respond to the individual questions in your consultation, I would like to make a number of points.

a. I am not aware there has been any public debate about the sale of publicly subsidised renewable electricity to private individuals, domestic or corporate. The German government has restricted the use of Guarantees of Origin (GO) from publicly-subsidised renewable electricity. This is an understandable position. However, it is also a justifiable position to allow this on the grounds that it will enable extra money to flow to renewable electricity schemes if it is considered that this will lead to a public good such as more renewable electricity being generated. This is likely to require conditions to be imposed such as the requirement for long-term contracts of three or more years that would enable investors to factor GO sales into their investment decisions but may tip the balance into making some projects financially viable. This would be worthy of further investigation. A public debate would be helpful by giving direction on the overall question of the sale of publically subsidised goods.

b. The consultation & consumer survey stress the low-level of knowledge among consumers about public subsidy of renewables and the electricity market more generally. This can be addressed by having a simple message at point of sale (tier 1) explaining that the renewable electricity shown in the fuel mix disclosure has been public subsidised.

c. If suppliers do differentiate their overall supply portfolio into different products with different carbon intensities, then the product that the consumer has purchased should be shown along with an explanation of why it differs from the overall fuel mix disclosure. This includes the case where suppliers create a more carbon-intense product by default by carving out the renewable electricity segment of their portfolio into a separate product.

d. More specific terms do need to be used. I understand that you differentiate between renewable electricity with additionality and renewable electricity without by using the term "green", but it is not sufficient to make the distinction. Frequently "green" is used synonymously with "renewable" in everyday communication. It is not defined and means different things to different people as well as

having an association with “greenwash”. Therefore it should not be used for electricity tariffs and neither should “environmentally-friendly”.

If the Ofgem requirement for additionality was that the purchase of the tariff had to contribute to extra renewable capacity, then you could differentiate by having the “Existing renewables tariff” and the “New renewables tariff”.

Of course this does restrict the type of additionality to measures designed to lead to extra renewable capacity, but this is the ideal scenario as this is the outcome most closely related to the product and therefore it would seem most likely to meet consumer expectations.

It would preferable to have the additionality action undertaken proportional to the amount of electricity used by the consumer.

Regarding nuclear and CHP tariffs, my perspective is that all tariffs should have more precise labels, so that would allow for tariffs from nuclear and CHP. I certainly agree that there should be precision and clarity at the point of sale.

I think knowledge of CHP is low so it is difficulty to anticipate whether including it in a green tariff scheme would meet public expectations or not. I think this serves to highlight the difficulty of persisting with the term “green tariffs”. If the term was “renewable tariff”, then it would be easy to make the distinction between CHP run on sustainable biomass that would be included and other CHP that would not.

e. Based on my experience, I have found that some businesses do have a sophisticated understanding of the issues surrounding purchased electricity. However, it is a complex field to understand requiring a considerable investment of time. Therefore many businesses understandably do not have the same depth of knowledge. I therefore welcome Ofgem’s work in this area to help domestic and business consumers navigate the issues. I cannot foresee any drawbacks to extending it (both tariffs with and without additionality) to the industrial and commercial sector.

f. If the Ofgem approach is entirely voluntary, then a measure of consensus would need to be obtained among suppliers and stakeholders to ensure that it is widely adopted. It would therefore have been useful to have explanations from suppliers on why they have not used the current Ofgem green tariff accreditation scheme. Is there evidence that it is related to the process of accreditation or is it the requirements of being considered a green tariff?

g. This answer directly relates to question 12: “**What is the best way to convey to consumers at the point of sale that purchasing the tariff will not drive additional environmental benefits? If this is a message, what should it be?”**
Suggested text: Electricity is generated in many different ways: by burning coal and gas, in nuclear power stations and through renewable generation such as wind and solar. These generators are connected to the national grid of cables that carry the electricity around the country. The laws of physics mean that the electricity goes to the nearest user. So even if you buy a renewable electricity tariff, you may still get electricity that has been generated another way. However, under your tariff for every unit of electricity that you use, a unit of renewable electricity will have been added to the grid. If you have a 50% renewable tariff, then 50% of the units of electricity that you use will be matched by renewable electricity. This electricity comes from existing renewable electricity plants. Buying from them does not mean that it will lead to more electricity being generated. That depends entirely on how much the wind or sunshine there is. Neither will it necessarily mean that more renewable plants are set up. The main drivers for that are government policies paid for by all

electricity users. However, electricity labelling schemes exist that try to ensure that their purchase does led to additional renewable capacity.

h. Regarding **Question 13: Do you agree that other renewable energy tariffs should also follow the 'evidence of supply' principle?** Yes, I do for the reason that Ofgem has given in paragraph 3.11.

Thank you for the opportunity to comment.

Best regards

Andrea Smith