GREEN TARIFFS: ADDITIONALITY AND MESSAGING RESEARCH

Key Findings
June 2014

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BACKGROUND: APRIL 2013 GREEN TARIFF RESEARCH SUMMARY

- Big Sofa (formerly Insight Exchange) were commissioned by Ofgem in March 2013 to research consumer perceptions of accredited and non-accredited green tariffs
- We spoke to consumers on green tariffs and standard tariffs in a mix of depth interviews, focus groups and deliberative events
- A full report from the research is available at: https://www.ofgem.gov.uk/publications-and-updates/research-consumers-perceptions-green-tariffs

BACKGROUND: APRIL 2013 RESEARCH SUMMARY

- **The Big 6: excessive profits and lack of trust lead to consumer scepticism around anything that results in them paying more**

- **Tariffs are already confusing – and the broader green agenda is too**

- **There is very little latent demand for green tariffs. And even less once people understand that:**
  - They are already paying towards green energy
  - The electricity they will receive is not going to be green
  - Government is making the energy companies invest in renewables anyway

- **Even those who are on green tariffs are mostly not big advocates of them**
  - Many are there by default (e.g. inherited the tariff after a house move)
  - And few really know what it is they are paying extra for
  - Although they generally feel 'it must be a good thing' for the environment

BACKGROUND: APRIL 2013 RESEARCH SUMMARY

The more consumers learn about what green tariffs are, the less interested they are in signing up…..*esp. when prices are higher than a standard tariff*

Clear information at the point of purchase is crucial if consumers are going to make an informed decision.

If the information is as clear as it needs to be for consumers to make a properly informed decision then the number of consumers signing up is likely to decrease.

APRIL 2014 RESEARCH FINDINGS

METHODOLOGY

- 8 focus groups, 48 consumers in total

- 4 x ‘Light Green’ groups, 4 x ‘Dark Green’ groups: determined by attitudes and behaviour
  - E.g. Energy efficiency, organic & Fairtrade purchasing, interest in green agenda and likelihood to choose or consider an environmentally friendly energy tariff

- One of each group in 4 locations: Birmingham, Brighton, Cardiff, Glasgow

- Fieldwork: 8th-15th April 2014

CONSUMER CONTEXT

ATTITUDES TO 'GREEN-NESS'

Apathetic	Functional	Open	Passionate
Not interested in Green agenda	*Vague knowledge of Green agenda (news and received wisdom)*	*Some knowledge about Green issues (mostly from news)*	*Knowledgeable*
Will be green where it's easier / enforced (e.g. recycling)	*Happy to be green where it's practical / cheaper*	*Care about 'being Green'*	*Feel strongly about the Green agenda*
But won't pay more for it	*But won't pay more for it*	*Would like to do more*	*Will seek out green products and services*
		But very hesitant about paying more – need to be convinced	*And prepared to pay more for them*

ATTITUDES TO ‘GREEN-NESS’

THE ENERGY MARKET

- As in 2013 research: Low market engagement, low interest, apathy, cynicism
- Supplier profits are top of mind (esp. with recent media coverage)
- Switching is a hassle – and 'they're all the same anyway'
- Price remains the most important (only?) factor in tariff choice

GREEN ENERGY

- Green = renewables (sun, wind, water…..nuclear?) + carbon offsetting
- And Green = expensive: building wind farms costs money
- But Green *should* = cheaper: wind is free…..

…..so when do we see the benefit?

GREEN TARIFFS: HIGH PRICES = LOW CONSIDERATION

Knowledge levels are very low – even amongst Dark Greens

- All assume that renewable energy is involved
- But some wonder how that works
- And benefits are unclear

And so are consideration levels

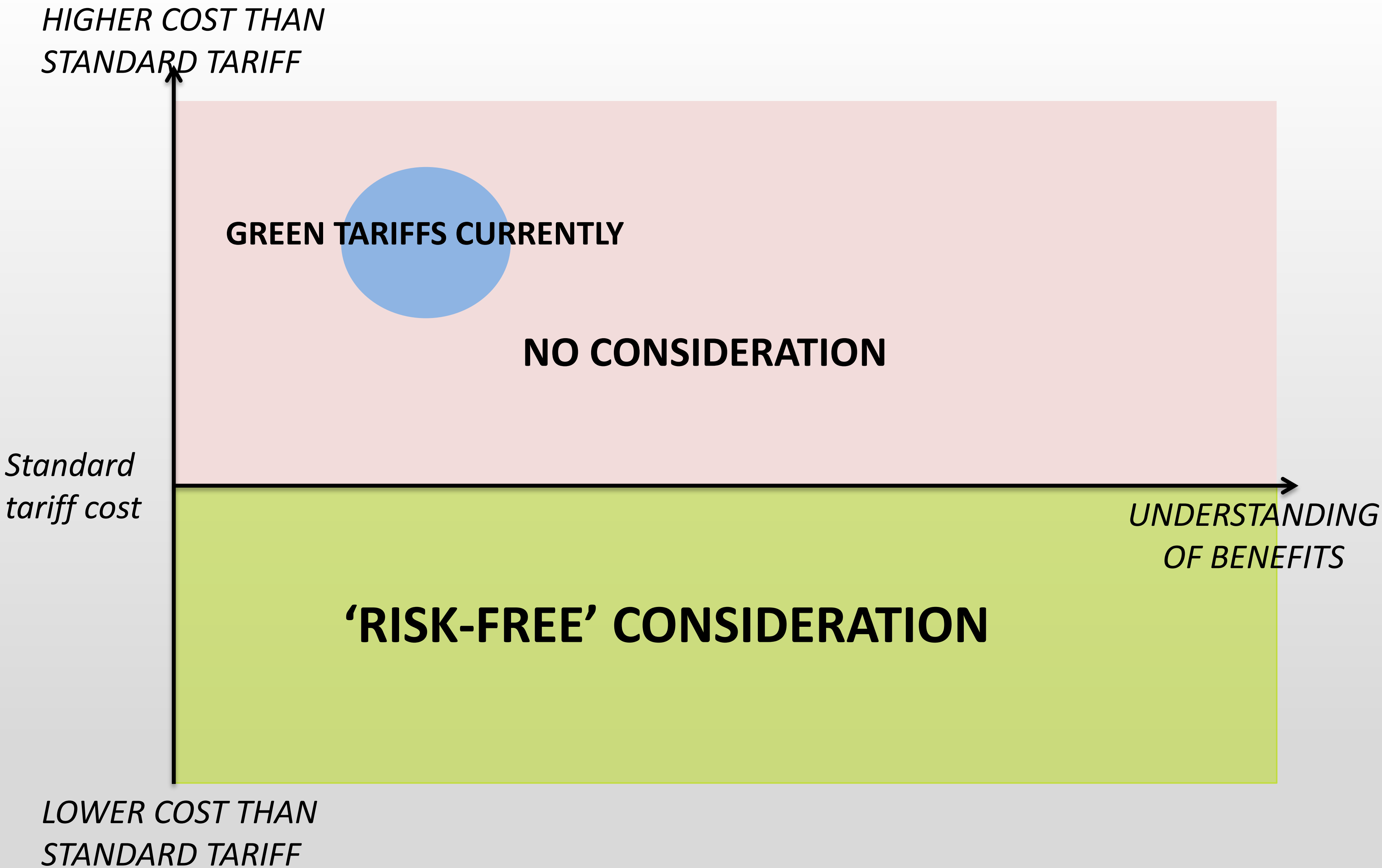
- Suppliers don't appear to publicise them
- Price is king – and green tariffs are expensive
- They always appear low down on price comparison site results
- Unclear benefits
- *And consumers rarely look at tariff details anyway*

"It's better for the environment I suppose….?"
Light green consumer

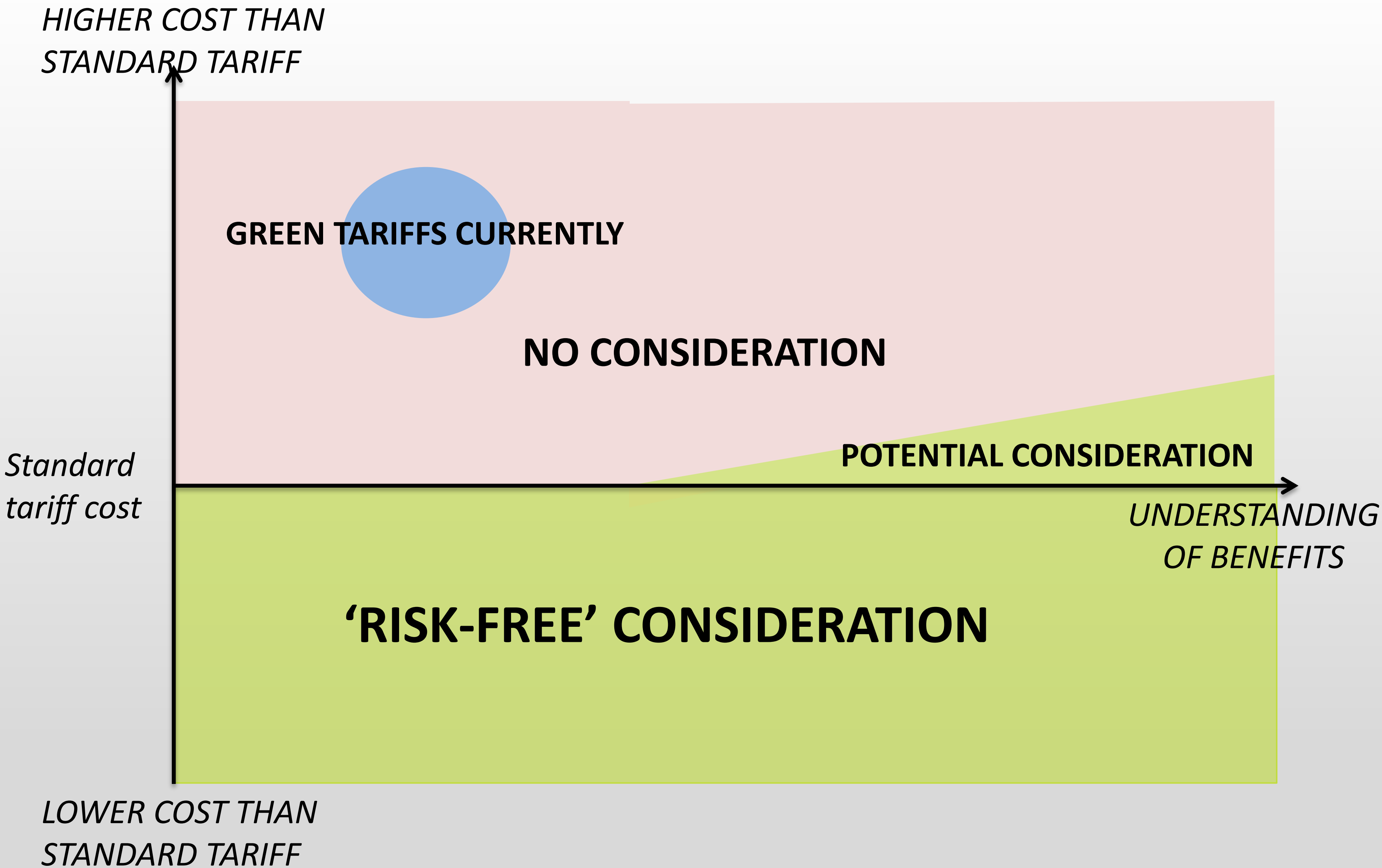
"It doesn't change what comes into my house though does it?"
Dark green consumer

"I've seen them but when they're that much more expensive I've never bothered looking properly"
Dark green consumer

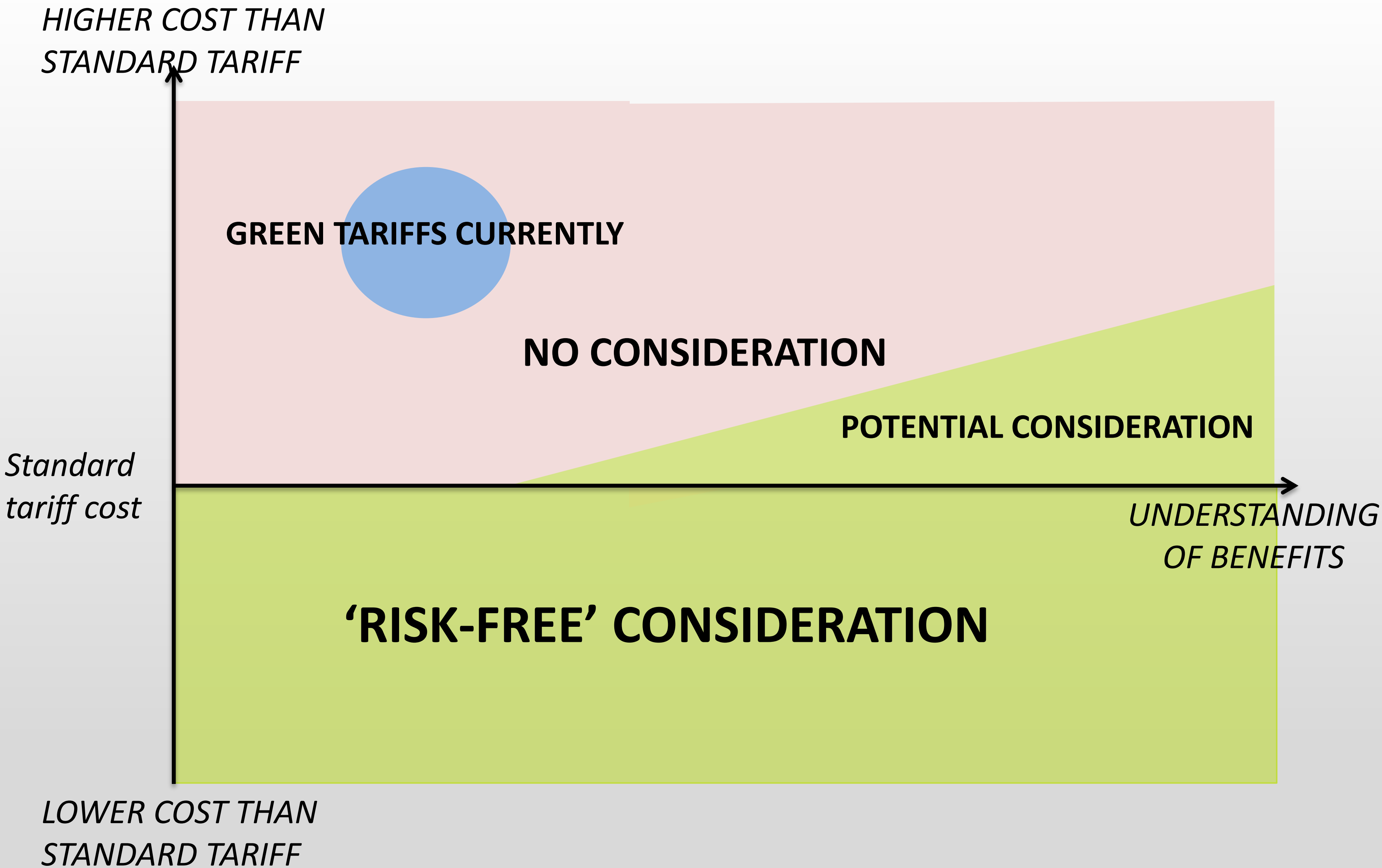
THE CONSIDERATION GAP: ‘AVERAGE’ CONSUMERS



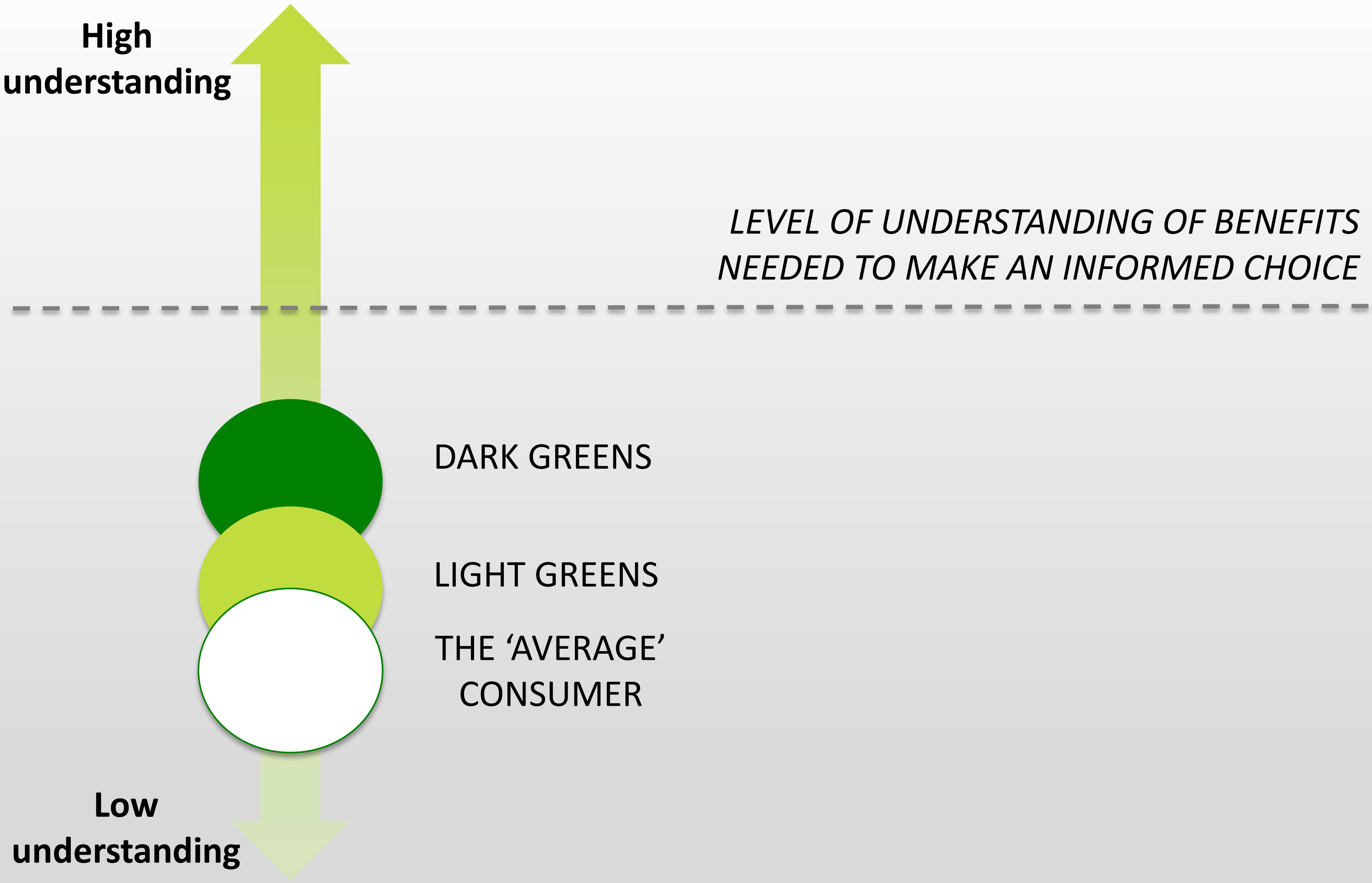
THE CONSIDERATION GAP: LIGHT GREEN CONSUMERS



THE CONSIDERATION GAP: DARK GREEN CONSUMERS



THE INFORMATION GAP



LITTLE AWARENESS OF THE RENEWABLES OBLIGATION

Very few consumers have any awareness of this

Accept (some grudgingly) that GB needs to invest in renewables…..

……and £40 on my bill isn't that much

But:

- Why didn't I know about it?
- Where does the money get spent?
- Why aren't suppliers paying the full cost of investment – it's in their interests?

If I'm already being green, how is a green tariff different?

Expectation that it must be going 'above and beyond'

The consumer perspective: *this is starting to get complicated…..*

GREEN TARIFFS AND ADDITIONALITY

TYPES OF GREEN TARIFF

- Initial assumption after learning about the Renewables Obligation (RO) is that all green tariffs will offer additionality…..otherwise "it'd be no different to what we pay for already"
- And no awareness of any differences between existing green tariff types
- **So most consumers wouldn't know to look out for differentiation between them**
- ***Which makes positioning of messaging around types of green tariff crucial***

INITIAL REACTIONS TO ADDITIONALITY

TARIFFS **<u>WITHOUT</u>** ADDITIONALITY

- Knowledge of RO changes expectation
- So this is what I'm paying for already?
- "This is a con then?"
- "Where's the benefit to me?"
- "So you're not actually any greener, you're just paying for it to be there?"

TARIFFS **<u>WITH</u>** ADDITIONALITY

- "Proper" green tariffs
- Can clearly see how they're going beyond what I already pay for
- They'll be loads more expensive, so I wouldn't consider them anyway
- "No one's going to pay that much more for this"
- "How do I know how much extra benefit it provides?"

INFORMED REACTIONS TO ADDITIONALITY

TARIFFS **WITHOUT** ADDITIONALITY

- If these are lots more expensive than a standard tariff, why would I pick one?

BUT: if pricing is similar, a much more attractive option

- A way of 'getting' renewable energy if you're interested
- Tipping point* argument sounds good – but how would people find out about it? How many people are needed?
- And why are we having to drive this agenda ourselves?

TARIFFS **WITH** ADDITIONALITY

- Great if you want to go above and beyond
- But who can afford to do that?
- And why are we having to drive this agenda ourselves?

BUT: if pricing is similar to tariffs without additionality, messaging is crucial to differentiate it

**The point at which consumer demand for renewable energy outweighs the amount already being generated by suppliers through the Renewable Obligation – so that suppliers have to generate more*

TARIFF DIFFERENTIATION IS COMPLEX

- Consumer attitudes shift the more they understand about the subject – often influenced by expected price dynamics
- After 90 minute discussions, they just about feel they're able to make informed decisions

> *"A choice isn't a choice unless you properly understand it – it's taken me a whole evening to get to grips with this, so what about everyone else?"*

- So there is a need for messaging to make distinctions between tariff types
- But the 'right' tone of the message is linked to the pricing of tariffs
- And finding the necessary information is often beyond the effort or consideration that all but the Greenest consumers will put in

MESSAGE TONE AND POSITIONING

MESSAGES NEED TO BE VERY PROMINENT….

- Consumers don't really understand what they're buying into with green tariffs currently
- And they don't know to look out for disclaimers (because they don't know that different types of green tariff exist)
- So "no-one reads the small print do they?"
- Extra info in the tariff detail is fine – but few consumers would look for it, and even fewer would put enough effort in to find it
- The Tariff Information Label (TIL) itself is a good idea – and re-iterating messages on it is fine – but most consumers wouldn't look for / find it so it can't be the primary channel for communication
- Any message about tariff benefits or limitations needs to be **very prominent at the point of purchase** (e.g. alongside supplier claims at top of price comparison site results)

…..AND FEEL BALANCED

- Proposed messaging types feel negative: as if Ofgem don't want people to pick tariffs without additionality – "there's no good news in these at all!"
- Overall tone should feel balanced and objective

- Disclaimers are right if these tariffs are more expensive than standard; and similarly priced to those with additionality
  - I.e. used as a counter to supplier claims

- But if they're priced the same as / or similar to standard tariffs – aren't we supposed to be encouraged to go green?

- If you only look at one tariff – you still don't know that the other type exists

MESSAGE CONTENT

CONSUMERS WANT* TO KNOW:

- What they're already paying for
- How the tariff compares to a standard one
- What the benefits are (why should I pick it?)
- What the limitations are (why shouldn't I pick it?)

***RELUCTANTLY & WITH MINIMUM EFFORT:** they know so little already that it's hard to give them all the information they feel they'd need to make an informed choice

They'd rather have prominent independent/Ofgem rating of green tariffs (e.g. energy efficiency scale) that makes the cost vs. green-ness decision much more straightforward

MESSAGE DETAIL

MESSAGES TESTED

① This tariff does not provide extra benefits to the environment

① This tariff does not provide extra benefits to the environment such as lower carbon emissions or more renewable energy

① All consumers already pay for renewable energy. This tariff does not provide extra environmental benefits compared to a standard tariff

① This tariff buys renewable energy that consumers already pay towards through their energy bills. It is not proven to provide an additional environmental benefit compared to a standard tariff.
So by choosing it:

- you are unlikely to increase the amount of renewable energy being generated
- you are unlikely to reduce carbon emissions

① This tariff does not provide extra benefits to the environment

- Sounds good at first – but on reflection uninformed consumers "wouldn't have a clue"
- Extra – like what? Compared to what?
- 'Additional' sounds better than extra
- Doesn't tell me that I'm already contributing

② This tariff does not provide extra benefits to the environment such as lower carbon emissions or renewable energy

- Better than 1 – examples are helpful
- But still doesn't tell me that I'm already contributing: this is important
- Do other tariffs do these things?

③ All consumers already pay for renewable energy. This tariff does not provide extra environmental benefits compared to a standard tariff

- Helpful to know what I'm paying for and compare it to a standard tariff – but then what *does* this tariff do?
- "It feels like you're saying 'don't buy me'!"
- "What about that tipping point thing?"

④ This tariff buys renewable energy that consumers already pay towards through their energy bills. It is not proven to provide an additional environmental benefit compared to a standard tariff. So by choosing it: you are unlikely to increase the amount of renewable energy being generated; you are unlikely to reduce carbon emissions

- The most comprehensive – works better with combination of wording from 3.
- This is the minimum amount most consumers would need to know "but would I read all that?"
- 'Unlikely' feels like a fudge for some – "well are you or aren't you?"

SUMMARY

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1. Existing consumer understanding of green energy and green tariffs is very basic at best
2. Consideration of green tariffs will remain low as long as prices are high and tangible benefits are low
3. No consumers are aware of different types of green tariff currently
4. So a means of differentiating 'green-ness' of tariffs is needed
5. But consumers don't know to look for messaging – and even those interested won't put effort into looking at tariff details
6. So any messaging needs to be prominent at the point of purchase
7. And feel balanced – outlining benefits and limitations
8. Consumers feel a rating system would be more useful and easier to understand