Call for evidence: Designing a framework for transparency of carbon content in energy products.

Which? is the UK's consumer champion. As an organisation we're not for profit - a powerful force for good, here to make life simpler, fairer and safer for everyone. We're the independent consumer voice that provides impartial advice, investigates, holds businesses to account and works with policymakers to make change happen. We fund our work mainly through member subscriptions, we're not influenced by third parties and we buy all the products that we test.

Summary

Which? welcomes the opportunity to respond to this consultation. Consumers are keen to play their part in reaching net zero and must be able to trust that when they choose a product or service claiming to be green that it gives the benefits and value they expect. Customers can only support those companies making additional investments into clean power if it's clear which they are, and action is needed from the Government to empower consumers and ensure they are provided with the clear and reliable information they need.

- Which? research has found that there is often a mismatch between consumers' expectations of 'renewable' and 'green' tariffs, and the approach taken by energy companies. We also found evidence of confusing messaging by companies, for example suggesting that customers can get 100% renewable electricity supplied to their homes, which isn't technically possible if they have a standard grid connection.

- The current system of retrospective annualised matching (using REGO certificates) does not provide a sufficient level of consumer transparency. We found that some firms imply that buying REGOs is the same as putting renewable power into the grid, but often there is not such a direct connection.

- The lack of official definitions for 'green' and 'renewable' energy tariffs makes it difficult for consumers to identify which companies are doing the most to invest in low carbon electricity generation. The definition of these terms should be clarified in regulations so that their usage is standardised, and consumers can have greater clarity over what they are buying.

- The Government should also consider mandating energy companies to provide more information to consumers on where the renewable electricity and gas they supply

comes from, including what approach they take to buying renewable power and to what extent.

- Any future green or low carbon tariff framework should leave space for supplier innovation, and to reward different approaches that genuinely provide additional investment in renewable generation. In particular, a future tariff framework must accommodate the needs of electric vehicle drivers, and allow for developing concepts such as vehicle-to-grid charging.

- The tariff regulatory framework should also take into account 'green gas' tariffs in order to future-proof the approach. This should include clarifying the terminology, requiring companies to provide adequate information to consumers, and clarifying whether carbon offsetting should be permitted in the definition of 'green gas'.

Introduction

Which? is committed to bringing sustainability into everything we do, including through our advocacy, product testing and investigations. We have recently examined environmental claims in the energy sector, including a November 2021 investigation comparing energy companies based on their environmental credentials[1], and a 2019 investigation into how green tariffs match customers' expectations[2]. We also responded to the CMA's call for evidence on environmental claims on goods and services (attached).

We have limited our response to those questions where we have most expertise and data to contribute at this stage, and would be pleased to discuss any aspect of this response in more detail.

Relevant Consultation Questions

Q1: Does the current approach of retrospective annualised matching (using REGO certificates) provide a sufficient level of consumer transparency? Please provide reasons.

No. The system of matching customers' annual electricity use with REGOs attributed to electricity produced over an annual period can result in matched electricity use and generation differing by over eleven months. The system's failure to reflect the time that the energy was generated or consumed lacks transparency, particularly as smart meters enable customers' electricity usage data to be submitted as frequently as half-hourly.

Some firms imply that buying REGOs is the same as putting renewable power into the grid. For example, we found claims being made that 'our members can rest assured that for every unit of energy they use, we ensure a unit is produced and injected directly into the UK Grid'[3] and that 'for every unit you use of electricity [...] we make sure a unit is produced and put on

[1] Which? Magazine, The Truth About Green Energy Deals, print, November 2021
[2] Which? Magazine, The Energy Tariff Greenwash, print, October 2019
[3] Green.energy, (since closed), accessed on 23rd August 2021

the grid by a renewable energy source"[4]. These imply that there is a direct relationship between a customer buying renewable electricity and more being put into the grid, but with annualised matching, this is often not the case. The company may be buying REGOs long after the customer has used the associated electricity, and long after it was generated.

Q5: How can green tariffs be regulated to enable consumer choice to drive additional investment in low carbon electricity generation? Please provide reasons.

Which? research shows that energy providers' environmental credentials are important to consumers, as over half (58%) of respondents to our recent survey said that environmental sustainability influences their choice of energy provider either a great deal or a fair amount[5]. We also found that consumers are interested in information about where their energy comes from, as 65% of people in our survey of Which? members said that transparency about where a company's renewable electricity comes from was the most important thing to them when considering a firm's green tariffs[6].

This shows that there is appetite among consumers to support additional investment in low carbon electricity generation through their choice of energy provider or products. However, the lack of official definitions for 'green' and 'renewable' energy tariffs makes it difficult for consumers to identify which companies are 'best in class' and to compare the different approaches that companies take.

Which? research has found that it is not currently clear to consumers what a 'renewable' tariff is, as when we asked more than 3,600 people to choose from a list of possible definitions for renewable energy tariffs, a third said that they didn't know[7]. As such, Which? has previously argued[8] that the definition of terms 'green' and 'renewable' tariffs should be clarified in regulations so that the terms' usage is standardised, and consumers can have greater clarity over what they are buying when they choose these tariffs.

The Government should also consider mandating energy companies to provide more information to consumers on where the electricity and gas they supply comes from, including whether they generate renewable electricity themselves, buy it directly from renewable generators (for example via Power Purchase Agreements), buy REGOs in isolation, or take another approach. Companies could also be required to clarify the extent to which they take each approach and the amount of investment made (beyond what's required). This would

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[4] Orbit Energy, accessed on 5th November 2021

[5] Which?, Supporting consumers in the transition to net zero, October 2021. Which? surveyed 3,619 UK adults between the 30th April and 2nd May 2021. This 3,619 sample was made up of 2,000 UK respondents with boosts to achieve c.500 respondents for each devolved nation. Fieldwork was carried out online by Yonder and data have been weighted to be representative of each nation's population by age, gender, social grade (aged 18+); and then weighted by region.

[6] Survey of 965 Which? Connect panel members in July 2021.

[7] Which?, Differences between green energy suppliers, online, June 2021. This data is from an online survey of 3,622 members of the general public in September 2020.

[8] Which? response to the CMA consultation on misleading environmental claims, July 2021, attached

better enable consumers to compare companies, and to choose those which are doing more to invest in low carbon electricity generation.

If further information is required to be provided, the Government should also consider providing guidance to companies on how to present this information in a standardised format so that it is as easy as possible for consumers to understand. A consistent format would help consumer comparability.

Q7: Can you provide any evidence regarding the types of messages associated with green electricity tariffs that you believe to be misleading to consumers?

Which? research has found that there is often a mismatch between consumers' expectations of renewable/green tariffs, and the approach taken by energy companies. According to our recent survey:

- 72% expect companies selling green or renewable tariffs to buy renewable electricity from other companies or generators
- 67% expect companies selling green or renewable tariffs to generate renewable electricity themselves
- 54% expect companies selling green or renewable tariffs to put into the grid the equivalent amount of renewable electricity that its customers use
- 47% expect companies to match their electricity use with renewable sources (41% weren't sure about this)[9].

Our recent analysis of 31 energy firms found that 18 (of which 8 are sub-brands of the same firm) say they buy power directly from renewable generators. Of these, 15 told us that they also generate some renewable power themselves (one generates but doesn't buy directly). This is what the majority of customers we spoke to expect. However, the remainder (not all of which make renewable claims) support their renewable claims through the purchase of REGO certificates in isolation[10].

When we explained the REGOs system to our survey respondents[11], many described it as 'cheating', 'not transparent', and said that they would feel 'annoyed', 'exploited and misled' if their supplier was doing this. Some said they wouldn't mind, that it's 'better than nothing' or that price is more important.

Furthermore, it is often not clear to customers which of the above approaches to selling renewable electricity a chosen firm is taking. These are two different suppliers' explanations of the electricity they sell: 'our renewable electricity is from the sun and wind'[12] and 'all our electricity is green, generated at wind and sun parks'.[13] Although these sound similar, the first

[9] Survey of 965 Which? Connect panel members in July 2021.
[10] Which?, The Truth About Green Energy Deals, print, November 2021.
[11] Online survey of 965 Which? Connect panel members in July 2021.
[12] Pure Planet (since closed), accessed on 18th August 2021.
[13] Ecotricity, accessed on 17th August 2021, wording changed slightly since our investigation. As of 26th November 2021 the page states 'Our electricity is 100% green – made from the sun, the wind and the sea'.

is a supplier which told us it buys REGOs on their own, while the second told us it also generates renewable power and invests in building new generators.

We also found evidence of the persistent myth that customers can get 100% renewable electricity supplied to their homes. In our survey of more than 3,600 people in 2018, a third told us that if an energy tariff was marketed as 'green' or 'renewable' they expected that 100% renewable electricity would be supplied to their home[14]. This isn't technically possible if they have a standard grid connection, but some suppliers' messaging is not helping to dispel this myth. For example, in our 2021 investigation, we found claims including that 'all Eon customers enjoy 100% renewable electricity in their homes'[15], 'our green fixed tariff means new customers … can power their homes with 100% renewable electricity'[16], 'power your home with 100% renewable electricity'[17] , and 'sign up with us and all the electricity in your home will come from wind, solar and hydro plants'[18] .

Finally, some companies' messages may lead customers to believe that choosing a renewable tariff or supplier is all that it is necessary for them to do in order to reduce the environmental impact of their energy use, which is arguably not the case. For example, Orbit Energy stated: 'every time you boot up your laptop or use any electricity, you're doing your bit for the planet' [19].

Q12: Are there any other emerging needs you believe a future green or low carbon tariff framework (should a future framework be necessary) should accommodate?

Any future framework should leave space for supplier innovation, and to reward different approaches that genuinely provide additional investment in renewable generation. Ideally, it would take into account provable results from suppliers in decreasing customer demand, or shifting it to less carbon-intense periods.

Any future framework should also be usable across third party intermediaries and new energy services companies, as well as traditional players.

In particular, a future tariff framework must accommodate the needs of electric vehicle (EV) drivers, across all demographics, as more drivers make the switch and the ban on sales of new petrol and diesel vehicles approaches. Currently, EV tariffs are not accessible to all consumers, as most EV tariffs on the market require a compatible smart meter, and according to the latest BEIS statistics, smart meters make up just 46% of all domestic meters[20].

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[14] Online survey of 3,622 members of the general public in September 2018.
[15] Eon advert video, accessed on 5th November 2021.
[16] Utility Warehouse, accessed on 18th August 2021, wording changed since our investigation. As of 26th November 2021 the page states: 'Our Double Gold bundle means new customers who take all of our services can power their homes with 100% renewable electricity.'
[17] Pure Planet (since closed), accessed on 18th August 2021.
[18] Together Energy, accessed on 5th November 2021.
[19] Orbit Energy, (since closed) accessed on 5th November 2021. Orbit Energy told us that the REGO system was 'introduced by Ofgem to evidence where our energy comes from and substantiate any renewable claims. Orbit Energy make no net zero statements outside of this'.
[20] BEIS, Smart Meter Statistics in Great Britain: Quarterly Report to end June 2021, online, August 2021.

Research also shows that EV tariffs have not been available for those on electricity prepayment meters[21], which are used by almost half (48%) of consumers in the lowest income decile[22].

A future framework must also allow for developing concepts such as vehicle-to-grid charging, whereby electric vehicle owners can release power back into the grid in order to help balance supply and demand, in order to ensure consumers are fairly rewarded.

Q14: There is an emerging market for 'green gas' tariffs. Should our work consider any interventions to include these within the tariff regulatory framework?

In order to future-proof the approach, 'green gas' tariffs should be taken into account. Firstly, customers need clarity over what 'green gas' is, so that they can understand what they are buying and are able to make informed comparisons and decisions. It is also important that the terminology is clearly defined in order to address the risk that people could underestimate the environmental impact of their gas use if it is labelled 'green'.

Additionally, companies take different approaches to biomethane green gas production, for example generating it from waste-only and growing specific energy crops. It will be important for companies to provide information on their approaches, so that consumers can compare them.

Finally, carbon offsetting is often mentioned as part of claims around 'environmentally friendly gas' tariffs at present. For example, Good Energy says it sells 10% biogas and offsets the rest through carbon reduction schemes[23], and Bulb states 'our gas is 100% carbon neutral too. We offset the emissions from the gas we supply by supporting carbon reduction projects around the world. Plus, we're one of the biggest buyers of green gas for homes in the UK so a chunk of our gas mix comes from renewable sources, too'[24]. Furthermore, Ovo says its 'Beyond' tariff includes carbon neutral gas of which 15% is 'green gas' and 'we offset the rest'[25]. Guidance is needed to clarify whether carbon offsetting should be included in permitted definitions of 'green' gas tariffs or not.

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[21] Citizens Advice, Take Charge:An analysis of the domestic electric vehicle tariff market, January 2019.
[22] Ofgem, State of the Energy Market 2019, October 2019.
[23] Good Energy, accessed on 5th November 2021: 'Carbon neutral gas: 10% is biogas from organic matter such as farm waste. The rest we offset through carbon reduction schemes.' Wording changed slightly since, and now states: 'Green gas: 10% is renewable biogas, with the rest offset through Gold Standard projects that improve access to green energy.'
[24] Bulb, accessed on 5th November 2021.
[25] Ovo Energy, accessed on 5th November 2021: 'OVO Beyond brings you 100% carbon-neutral energy. That's 100% renewable electricity from sources like the wind and sun. Plus, 100% carbon-neutral gas, including 15% green gas (one of the best mixes around!). We offset the rest.'