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Citizens Advice welcomes the opportunity to respond to the BEIS Designing a Framework for Transparency of Carbon Content in Energy Products call for evidence. Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We are the statutory representative for domestic and microbusiness energy consumers across Great Britain.

Consumer demand for green products and services is growing. Our own research shows that in Q2 2021, for consumers who had ever switched, the fact the new supplier offered green energy was the main reason for 18% of consumers switching.¹ This proportion has doubled from when the research began in 2019. Consumers value transparency in this area more broadly, with 89% of Climate Assembly UK participants agreeing products and services should be labelled to include their carbon footprint.² Our research on the future energy market and net zero has also consistently highlighted consumers are willing to make the transition to low-carbon technologies and green products, with nearly 80% backing the net zero target³, but they require clear information to enable them to make informed choices.

We think the current framework for explaining the environmental impact of tariffs to consumers now falls short of that needed transparency. Research from Which? In 2019 showed a concerning range of different levels of consumer understanding about what constituted a green tariff, with a third of people believing that if an energy tariff was marked “green” or “renewable”, then they expect to get 100% renewable electricity supplied to their home, another 11% expecting that the supplier generates some of the renewable electricity it sells, and 8% expecting that it generates all of it.⁴

¹ [Consumer Perceptions Of The Energy Market - Wave 11](#) (2021) Ofgem

² [The Path to Net Zero](#) (2021) Climate Assembly UK

³ [The net zero protections puzzle](#) (2021) Citizens Advice

⁴ [How green is your energy tariff?](#) (2019) Which?

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Research earlier this year also estimated the percentage of households with “green” suppliers – those only offering electricity tariffs backed by Renewable Energy Guarantee of Origin certificates (REGOs) – had increased from less than 20% to 65%⁵. Without a commensurate increase in that time period of renewables generation capacity or investment, this points to a disconnect between the certificates used to formally accredit a tariff as green and what a consumer would, reasonably, expect from a green supplier.

In that context, we welcome the intent behind the call for evidence to work towards a framework to improve transparency. We urge BEIS to consider changes that improve the direct link between generation and a consumer's tariff, improve transparency in this complex area of the market and give consumer's confidence that where they are opting for a green tariff, they are genuinely supporting additional new low-carbon power. Our response focuses on consumer-facing elements of the call for evidence rather than operational or commercial issues.

Yours faithfully,

Tom Crisp

Senior Policy Researcher

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

No. In our view, the current approach does not represent a sufficient level of consumer transparency. As recognised in the call for evidence, the current system was introduced two decades ago for a fundamentally different energy system and was not intended to create strong links between production and consumption within the existing system for tracking renewable

⁵ [Green Hair, Green Branches, Green Skin, Green Tariffs?](#) (2021) Cornwall Insight



energy. While there are seasonality and some technical barriers for more real-time matching currently, an annual timeframe for matching generation and consumption does not provide the level of granularity consumers might expect.

There are also particular current scheme design elements that mean the link between energy generated and consumed is even weaker. Firstly the ability to use Guarantees of Origin (GoOs) from EU member states, meaning the renewable energy produced may not originate in the GB market. Secondly, the ability under the current scheme for the REGO certificates to be separated and traded independent of the associated power meaning advertising a tariff as green can be done cheaply and with no direct relationship with a renewable generator. External estimates in 2020 projected that to buy enough REGOs to match a typical domestic customers' demand would cost approximately £1.50 per household per year⁶, providing only a very minor revenue stream to generators.

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

We do not have a prescriptive view at this stage on what the optimal pathway to regulating green tariffs to enable consumer choice to drive additional investment in low carbon electricity generation may be. A range of potential interventions are possible and may be appropriate over different time frames depending on what is technically feasible. However, given the speed with which green tariffs have proliferated into the market, plus the urgency of the net zero transition and the need to help consumers make positive choices to support the transition, reforms should once identified be progressed rapidly.

Research by Baringa has indicated⁷ that more established energy suppliers have tended to use both PPAs and certificates to back their green energy, which has correlated with the development of renewable generation within the same parent company. One measure could be that to advertise a tariff as green, the company must have both a direct PPA relationship and certificates for the power used to supply consumers being marketed as green.

⁶ [Renewable Energy Tariffs: The Problem of Greenwashing](#) (2020) Good Energy

⁷ [Renewable tariffs in the UK: what makes a tariff green?](#) (2021) Baringa



As the call for evidence notes, Good Energy, Green Energy UK and Ecotricity have all been granted enduring derogations from the default tariff cap by evidencing how their green electricity standard variable tariffs support additional investment in green infrastructure to a materially greater extent than existing government support schemes. Given this assessment framework is already in place, such a standard could potentially become the default to advertise a tariff as green, placing a meaningful premium on the products and incentivising more suppliers to directly invest in additional renewables.

Finally, technical solutions already used at a corporate level to match at a more granular level green generation and demand could form a template to develop a regulatory framework, with suppliers having to source a set percentage of low-carbon power across a year across time blocks to accredit a tariff as green. For example, the Energy Tag initiative⁸ is an industry standard moving towards hourly certificates for consumers to track the source of their energy and understand their carbon emissions. The voluntary set of guidelines will work with existing REGO and GoO certificate schemes, with the ambition being to create a common, tradable instrument that provides traceability across markets for power, flexibility and carbon. Vattenfall has also offered a 24/7 Matching Solution to ensure corporate customers can be authentically supplied at all times with 100% renewable energy.⁹ Finally, on a domestic scale, half-hourly usage data via smart meters and regionalised grid carbon intensity data could also potentially be a solution to explore to offer consumers information on their personalised carbon intensity.

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

We have qualitative evidence from contacts to our consumer service helpline where clients have felt confused or misled by a supplier's green tariff messaging. For example, a client whose tariff price increased was justified on the basis of it being green, but it was not made clear only the electricity element of their tariff was from green sources.

⁸ [EnergyTag and granular energy certificates White Paper](#) (2021) Energy Tag

⁹ [Vattenfall to deliver renewable energy 24/7 to Microsoft's Swedish datacenters](#) (2020) Vattenfall



Florence¹⁰ was sent some information as their 1 year fixed tariff was coming to an end. The new tariff they chose was more expensive because it was green. She asked on what basis the tariff was sold as green. The supplier said they would write to her, but she never heard back from them. Eventually a manager called and agreed it was not a green tariff. She was told it was because the electricity is green, but felt it should be made more clear this does not cover the gas - consumer service, January 2020

Some clients have been marketed to move to a green tariff at increased cost, without the benefits being made clear to them.

Farzana has had a letter from their supplier saying they can switch from a standard green to a "super green" tariff at increased cost. They phoned the consumer service wanting to know if there were any benefits to switching to this new tariff as they didn't understand the difference. Their annual estimated cost is currently £1350 and this would rise to over £1500 with the new tariff - consumer service, October 2021

Clients have felt misled by the difference between a supplier's branding or marketing materials and the reality of what power they have been supplied with.

Ian switched to a renewable energy provider. They asked the supplier where they get their energy from. The supplier stated that it was biomass energy - using plant material. Ian feels misled as on the website, they claim 100% renewable electricity with pictures of wind turbines, but use a very different energy source - consumer service, May 2021

And clients have also identified the distinction between power backed by renewables certificates and power purchased directly.

Geoffrey is seeking to refer his supplier to Trading Standards. His supplier claims their energy is 100% renewable but they do not source the energy directly from renewable generators. He says they purchased the certificates but the supply is not renewable as they state and they are relying on the "grey markets" to cover the way they advertise - consumer service, November 2018

¹⁰ All names have been changed and information anonymised



Q8: Can you provide any evidence as to the type of interventions or remedies (including international best practice approaches) which may help achieve greater transparency in green electricity tariffs?

The EU consumer group BEUC has previously advocated in this space that electricity market regulators must establish criteria for measurable impacts of 'green' tariffs, for example that a certain amount per kilowatt-hour is channelled to third-party supervised funds that refinance additional generation capacities. This was seen as key to helping consumers to differentiate and compare such offers.¹¹

International examples of private-sector innovation in this space to data-match and provide customers confidence in the source of their energy such as Energy Tag and Vattenfall's 24/7 solution are referenced in answer to Q5.

Q9: How best do you think the carbon content of energy supplied to a home or business consumer could be made more transparent to consumers?

We agreed¹² with the content of the CMA's green claims code developed earlier this year for products and services across the economy, that:

- claims must be truthful and accurate
- claims must be clear and unambiguous
- claims must not omit or hide important relevant information
- comparisons must be fair and meaningful
- claims must consider the full life cycle of the product or service
- claims must be substantiated

These principles should be factored into any future green tariff regulatory framework and the communications suppliers send to consumers to help them understand how to make green choices.

¹¹ [Trustworthy 'green Electricity' Tariffs](#) (2016) BEUC

¹² [Citizens Advice response to the CMA's draft guidance on environmental claims on goods and services](#) (2021) Citizens Advice



Our own principles¹³ for a future energy market also set out our vision for what a future energy market should look and feel like for energy consumers, highlighting the importance of companies providing transparent, comparable and simple information about products and services. These elements will be essential to the design of communicating carbon content to consumers, particularly simplicity given the complexity of current arrangements. Our future consumers research¹⁴ also showed a clear expected trend in the future energy market will be personalisation with data used to tailor offers to individual consumers, therefore it makes sense for any future tariff regulation to ensure carbon content or similar information is as relevant to the individual as possible.

Q10: Should there be any avenues to accommodate flexibility technologies within a future green tariff framework (should a future framework be necessary)? If so, how could this be achieved?

Yes. Given the importance of flexibility in enabling decarbonisation and the prominent role flexibility technologies are expected to play in consumers' lives in the future it would be appropriate to explore how they could be accommodated in a future green tariff framework. Research Citizens Advice commissioned on smart EV charging demonstrated¹⁵ how maximising the use of green energy was a motivation for consumers looking to engage with Vehicle to Grid services. It is likely that providers of these services will develop their own environmental advertising claims, which may result in similar issues around clarity and comparability with the current arrangements for basic tariffs.

With information available to track grid carbon intensity, there may be value in an "avoided carbon" equivalent being tracked and communicated to consumers as an environmental benefit of electricity stored at times of high low-carbon power output and discharged at times of high carbon intensity on the grid.

¹³ [Setting out principles for a future energy market](#) (Citizens Advice) 2020

¹⁴ [Future energy consumers - Views from our digital series](#) (2020) Citizens Advice

¹⁵ [Smart electric vehicle charging: what do drivers and businesses find acceptable?](#) (2019) TRL



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?

We highlighted in previous research¹⁶ the significant role third-party intermediaries play in the retail energy market, both in providing the primary route to engagement, and increasingly acting as an agent in the flexibility space, for example through aggregation. There would be value in the development of a future green tariff framework in considering the role of TPIs from the start of the policy process, both as a significant route for providing consumers with information on green tariffs, and as service providers themselves who may advertise the benefits of flexibility and control over consumer assets as both offering a cost saving and environmental benefits.

Q13: Should other forms of low carbon power, such as nuclear, hydrogen, CCUS and CHP be considered as part of any future green or low carbon tariff regulatory developments (should developments be necessary)

Yes. Given the importance of these technologies in the government's net zero strategy, with nuclear, hydrogen, CCUS and CHP all envisaged as having a significant role in the transition, it would be logical to consider these technologies in the context of future green tariff regulatory developments.

However, consumers will also continue to value fuel mix information on top of any overall certification that their tariff is low-carbon, as some consumers will take a narrow view on what they perceive as green and will want to support renewables only rather than nuclear or biofuels, especially given variable levels of support with 79% of consumers supporting renewables compared to 38% for nuclear.¹⁷

Furthermore, we would also recognise that with one of the intents of this call for evidence being to understand how green tariffs be regulated to enable consumer choice to drive additional investment in low carbon electricity generation, that it is unlikely consumer choice will be the determining factor in, for example nuclear development via a regulated asset base model.

¹⁶ [Stuck in the Middle](#) (2020) Citizens Advice

¹⁷ [Public Attitudes Tracker - Wave 37](#) (2021) BEIS



Therefore how additionality is evaluated and whether such power sources are included in a future green tariff framework would need to be carefully considered in policy design.

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

Yes. We strongly believe it would be valuable for future policy development to consider how green gas tariffs could be included in the scope of any future tariff regulatory framework. While SLC21D provides a basis for electricity tariffs to be accredited as green, the gas supply licence does not include any equivalent provisions. With the introduction of the Green Gas Levy this year and an additional cost being added directly to consumer bills to support the development of the green gas industry, it would be proportionate for consumers when opting to select green gas tariffs to have the information to have confidence in this choice.

Voluntary schemes that have already been granted official recognition - for example, the Green Gas Certification Scheme (GGCS) being named as an Approved Certification Scheme for evidencing green gas supply within Green Gas Levy regulations¹⁸ - could act as a gateway to a more comprehensive inclusion of green gas tariffs within the regulatory framework.

¹⁸ [GGCS named as Approved Certification Scheme for evidencing green gas supply](#) (2021) Green Gas Certification Scheme