

IEMA submission to BEIS Call for Evidence – December 2021

[Designing a Framework for Transparency of Carbon Content in Energy Products](https://publishing.service.gov.uk)
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Summary

This response has been compiled by IEMA, drawing on relevant evidence from engagement with professionals (e.g. in their support towards developing guidance, GHG hierarchy approach and principles for net zero¹) and from surveys of environment and sustainability professionals. The response has also been informed by contributions from experienced professionals within IEMA's Climate Change and Energy network steering group.

Although limiting our response at this stage to 4 key questions where direct evidence and insights are available, IEMA is very interested in this field and in particular in its important interaction with developing corporate approaches to net zero transitions. We therefore look forward to further consultations on this topic in 2022. IEMA will be willing to support and inform developments, drawing on our leading policy and practice work regarding net-zero and also through our large professional network.

Our key recommendations in this initial call for evidence are as follows;

- 1) Further work is required to understand how organisations are using green tariffs and their positive or negative interaction on net zero decisions. IEMA's professional network can support better understanding of current and developing practice and these important interactions.
- 2) Improved consumer information is required regarding renewable energy and green tariffs, updated to reflect their use in practice, changes in the market and the context of net zero. Considerations include information regarding 'green' GHG emission data on bills for electricity and gas. Such information needs to be credible, transparent and relevant for organisations as they transition towards net zero.
- 3) We propose that the Governments 2013 environmental reporting guidance (partly updated in 2019) should now be further updated. This is to address any GHG accounting inconsistencies and to ensure corporate GHG reporting can effectively support developing net zero transitions.

IEMA is the professional body for those people working in environmental management and in corporate sustainability roles. IEMA's growing membership of over 18,000 professionals work at the interface between organisations, the environment and society in a range of critical roles (for example from Sustainability Directors through to Climate Change leads and in consultancy and advisory roles). We also work with a range of corporate partners (over 200). Our professional members are active across all sectors in the UK, for example from construction and manufacturing through to logistics, facilities, and across financial, retail, food, consultancy and the wider service and public sector.

¹ Pathways to Net Zero: Using the IEMA GHG Management Hierarchy (2020) - IEMA publication
<https://www.iema.net/document-download/51806>

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

REGO’s do not themselves provide sufficient consumer transparency and there is confusion amongst purchasers as to the relative merits of differing green energy tariffs. Practice is indicating a mixed approach to their use by organisations (this can in turn further confuse stakeholders and reduce transparency).

For larger organisations, REGO use has become widespread and in some situations, is used for too simplistic corporate GHG accounting. For smaller organisations, green tariffs can provide an opportunity for ‘action’, in contrast to options to invest in renewable energy onsite (which for some might be limited by physical constraints or landlord tenancy arrangements) or Power Purchase Agreements (PPAs) which might not be available due to low consumption.

IEMA has surveyed sustainability professionals regarding green tariffs and how they are used within organisational carbon (GHG) accounting and reporting. The responses indicate that there continues to be a level of confusion. Scope 2 practice regarding the related use and purchase of so called ‘green electricity’ tariffs continues to be variable, as illustrated in the survey responses below from IEMA members.

Variation in carbon (GHG) accounting - Scope 2

Response options	2010%	2019%	2021%	Change since 2010 (percentage points)
We do not purchase green-tariff electricity	44.9	31.8	28.5	-16.4
Our green-tariff electricity use is always stated as zero carbon within our GHG footprint reports	4.1	10.0	8.4	+4.3
Our green-tariff electricity use is reported as ‘grid average’ emissions within our gross (total) footprint but as zero carbon within our net footprint	4.2	5.8	7.6	+3.4
Our green-tariff electricity use is reported as ‘grid average’ but we do also disclose a market-based factor (i.e. we dual report)	1.7	4.5	8.9	+7.2
We purchase green-tariff electricity but do not report on it any differently	15.3	15.0	11.6	-3.7
Unknown	28.3	30.8	35.9	+7.6
Do not understand the question	1.7	2.1	1.9	+0.2

The above variability in approach may be in part a response to use across differing contexts. However, it does also reflect a level of ongoing confusion and variability between guidance and standards. Questions exist for example around the status of unbundled REGO certificates. Improved guidance would be welcome in the context of net zero GHG accounting. One suggested enhancement on transparency, is for more specific guidance regarding the types of green purchasing options available, potentially within a hierarchy that works down from preferential (best) options of on-site generation, followed by PPAs and then through to types of green tariffs.

A further suggested development is for clearer and tariff specific emissions on every bill (while the suppliers fuel mix is disclosed in bills, it’s often not particularly prominent). Potentially a total emissions figure alongside the kWh usage lines within the bill breakdown details. Suggestions have also been raised for a clearer link between the per kWh additional cost and its contribution to a kW renewable

energy capacity by type (in effect a desire for clearer transparent information on additionality). However, it is recognised this suggestion is challenging as the basis for most tariffs is attributional (not consequential) and therefore cannot evidence additionality.

Q4: Can you provide any insights or evidence as to the role REGO certificates play in financing and commercial decision making?

REGOs are gaining significant interest by organisations, especially in the context of approaches to demonstrate progress on science-based targets and net zero.

IEMA survey evidence has indicated an increase in the use of ‘compensatory’ measures across the period 2010 – 2021. The use of green energy tariffs has increased by 23% since 2010, whereas carbon offsets have only increased by 11.1%². To a degree, this increase may simply be reflective of the growth of renewable energy within the overall grid mix and the wide availability of relatively cheap REGOs. The situation within organisational decision making can easily become confused, with some assuming that green purchases (based on REGOs /market-based approach) are more impactful than their reality. Reports from the UK Climate Change Committee have indicated that ³

Using the market-based method does not guarantee that a company is actually reducing emissions within the wider system even if it is procuring 100% renewables, as this will depend on the overall structure of the electricity market in which it operates. The market-based method does not specify that new renewable generation needs to occur as a result of the procurement contract, and therefore emissions reduction will only occur if the procurement method chosen specifies new generation or it is linked to a wider electricity market system where procurement of renewables automatically increases renewable generation. In the UK, there is limited potential for independent procurement to actually lead to new generation

Although transparent dual accounting is advocated by standards such as the GHG Protocol (Scope 2 standard), REGOs are being used in some situations to evidence and communicate carbon reductions, just via the market based approach. Some concern does exist around the credibility of such target based accounting and whether (for example) fuel mix disclosure might be a more credible basis (e.g. in contrast to unbundled REGOs being used for zero emission carbon reporting). A further concern has been expressed that such market-based only GHG accounting can have a negative consequence on decision making towards energy efficiency.

Q6: Should the ability to report emissions using both market-based and location-based emission factors be maintained, and if so, should there be a requirement to report both side by side in corporate reporting?

The GHG Protocol Scope 2 guidance does advocate dual reporting (for reasons of transparency) and this should continue within corporate disclosure through annual reports.

Although we support maintaining ‘dual reporting’ for scope 2 emissions (see 2019 updated Government guidance⁴) we note that there are now some inconsistencies within the guidance and with other

² Net-Zero Explained, IEMA 2021

³ Corporate Procurement of Renewable Energy, UK Committee on Climate Change Paper, December 2020.

⁴ Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019 (Updated Introduction and Chapters 1 and 2). [Environmental Reporting Guidelines \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/798123/Environmental-Reporting-Guidelines-2019.pdf)

developments (potentially in the treatment of offsetting). Also, some wider developments in standards are now allowing greater use of market-based approaches (e.g. within the context of targets and their associated reporting). In this situation, REGOs are increasingly being used and questions have arisen around the credibility of certificates within reporting.

We propose that the 2019 Government guidance should be updated to address inconsistencies and enable corporate GHG reporting can support the fast developing field of practice concerning net zero transitions.

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?

For transparency purposes, location based as well as market based GHG accounting should continue to be used by businesses in their GHG reporting (market-based approaches should not be used in isolation). In addition, a greater use of suppliers fuel mix disclosure could be considered as one option for more transparent use by organisations purchasing tariffs.

One potential improvement would be to support businesses in understanding the carbon content of their consumed energy at differing times within 24 hour periods. This could support some businesses in their energy management decision making.

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

It will be increasingly important to ensure that certain gas tariffs are attributed with credible certificates. As green gas tariffs emerge there should be further regulatory interventions to ensure that non-green products attract similar levy's and there is an equivalence of policy and taxation to support the development of low carbon alternatives for both electricity and gas.

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