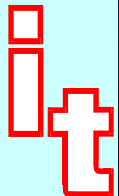


# ELECTRICITY DISCLOSURE WITHIN THE BROADER EUROPEAN POLICY CONTEXT

Dr John Green, IT Power



Power

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# Overview

- Interactions between disclosure and other policies.
- Highlighting inconsistencies that may arise.
- Recommendations on supporting policies to improve the effectiveness of disclosure.

# Present Text

- “Overall fuel mix of the supplier over the preceding year”.
- “CO<sub>2</sub> and the radioactive waste resulting from the electricity produced by the overall fuel mix of the supplier over the preceding year”.

# Disclosure and other Policies

- Tradable Certificate schemes.
- Guarantees of Origin.
- Emissions trading.
- Feed-in laws.
- Tax incentives.
- Voluntary green demand.

# Disclosure and Additionality

- Will 'renewable energy' on a disclosure label imply additionality - ie that extra energy from renewables has been generated?
- Electricity with a disclosure label showing 100% renewables could command a higher price.

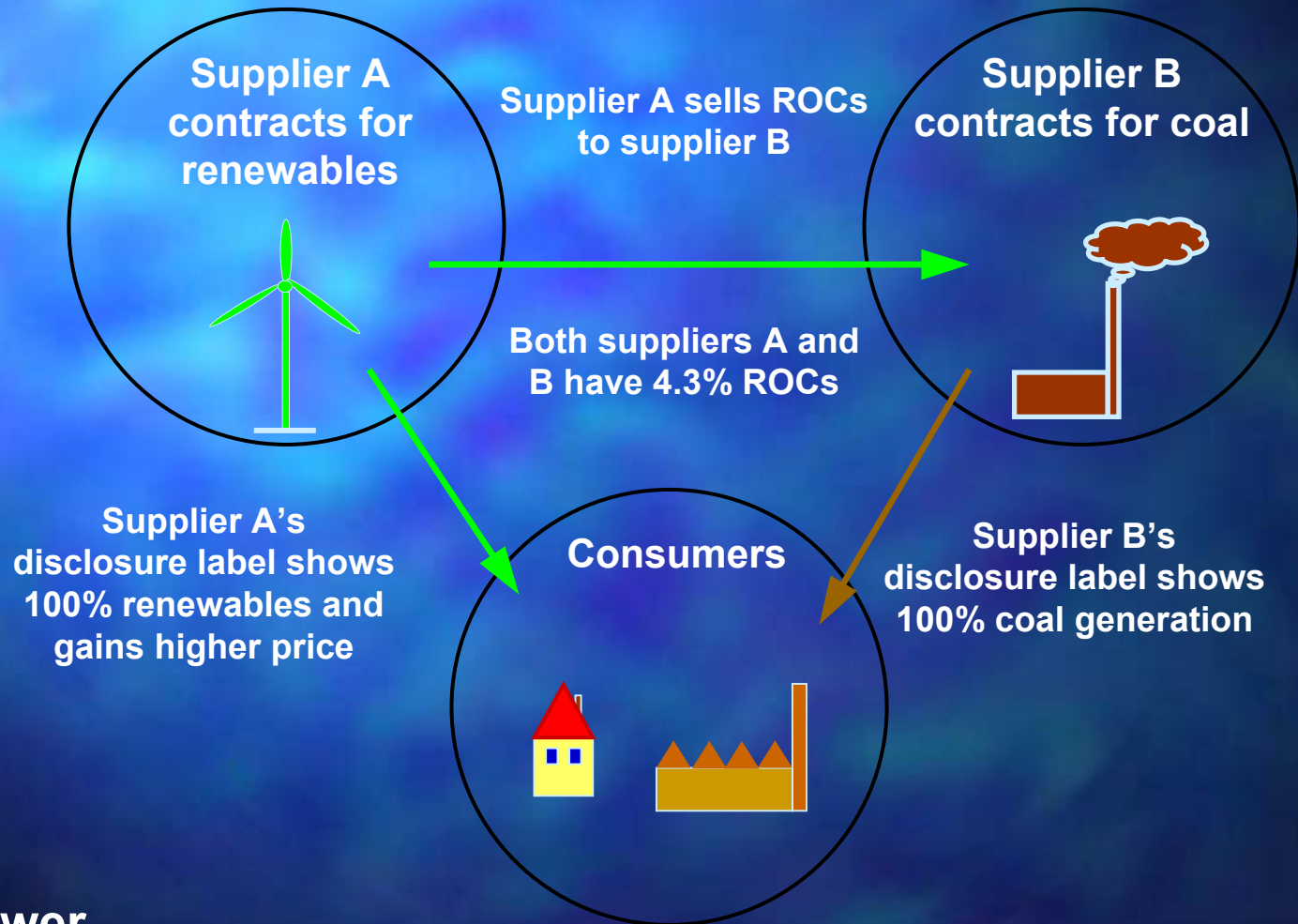
# Disclosure in the UK

- Many certificates will be available for the same electricity produced, eg ROCs, LECs, REGOs, RECS, CHP certificates .....
- Which certificate represents the true environmental benefits of the electricity?

# Guarantees of Origin

- Guarantees of Origin for renewable energy generation (REGOs) - 27th October 2003.
- In UK the DTI has issued a consultation paper - REGOs could substitute for LECS and may act as partial qualification for ROCS.
- Voluntary request by generator.

# ROCs and Disclosure





# ROCs and Disclosure

- Unless disclosure is tied to ROCs then a green supplier purchasing from a renewables generator, but only keeping 4.3% ROCs to meet Renewables Obligation, can still show 100% green supply on a disclosure label.
- Should the label indicate % renewables supported by Renewables Obligation?

# Climate Change Levy

- If disclosure is based on certificates, but CCL is contracts-based, a business can avoid CCL by contracting for green electricity, yet the electricity could be disclosed as being 100% from coal-fired plant (ie if coal certificates are bought).
- What should be indicated in an environmental report?

# Disclosure and Quality Labels

- Could have a disclosure label with 100% renewables, but no environmental label.
- Also a disclosure label with 100% coal, but an environmental quality label due to ROCs being redeemed.



# EU Emissions Trading Scheme

- From 2005, covering all combustion plants of more than 20 MW & emissions from some specified industries.
- Proposed EU ETS is an *upstream system* - the generators of electricity are obliged to reduce emissions, not the consumers.
- Industrial entities subject to the ETS cannot count the purchase of low-CO<sub>2</sub> electricity towards their emissions obligations.

# Importance of Portfolio Disclosure

- If product disclosure only, then suppliers would sell renewable electricity to those that want it, and the rest is sold to those that do not.
- Portfolio disclosure - those wanting to buy 100% renewable energy will switch to a supplier having 100% renewable energy.

# Disclosure can support new policies

- Limit placed on carbon emissions per unit - eg max. 350gCO<sub>2</sub>/kWh in the UK in 2020?
- Carbon caps (per consumer) on utilities.
- Variable VAT or tax on electricity purchases depending on CO<sub>2</sub> emissions (eg lower VAT rate if less than 100gCO<sub>2</sub>/kWh).
- Support procurement specifications by local government, housing associations, etc.

# Disclosure can support new policies

- Disclosure info included in company reports.
- It would be possible to change the design of the EU Emissions Trading scheme towards a downstream system - as electricity consumers would be able to prove the CO<sub>2</sub> intensity of the electricity they purchase.
- Incentive for differentiation of products - takes pressure off price competition.

# Contact details

Dr John Green

Manager, Climate Change Strategy Unit

[john.green@itpower.co.uk](mailto:john.green@itpower.co.uk)

[www.itpower.co.uk](http://www.itpower.co.uk)