

2006

Environmental Report



Illumination of the Wind Turbines at Wind Fair 2006

Good Energy's mission is to empower individuals to take action to reduce Climate Change. 2006 has seen an enormous growth in media coverage and general awareness around the issue of Climate Change. At Good Energy we have welcomed this increased awareness because we strongly believe that individuals have a positive role to play in averting Climate Change – greater awareness and commitment will ensure more action is taken to the benefit of the environment and society around the world.

This is our fourth Environmental Report and provides a summary of our environmental performance. We believe in taking an honest and open approach in all our communications – this is our opportunity to let you know how we have performed and set our targets for the forthcoming year.

As a business, Good Energy has undergone major changes in 2006. At the beginning of the year, we brought our customer services team and billing teams in-house which led to the company doubling in size. As a result, we have relocated to new offices and put considerable effort into ensuring that the company values of Good Energy have been maintained throughout the changes. We believe that these changes have placed us in a positive position to build the business over the coming years.

During 2006, our customers have reduced their personal emissions of carbon dioxide by 44,000 tonnes through their use of 100% renewable electricity. We continue to work with independent renewable generators across the country to source the electricity that we provide. We believe that through supporting individuals in taking positive steps to generate electricity at a local level in their homes, businesses or communities we can influence the growth of the renewable generation market.

As a business, we seek to minimise our environmental impact at all times. Occupying a purpose built office constructed in the 1980s provides some interesting challenges but we are taking every effort to address these and improve our energy efficiency. Waste reduction and recycling schemes are in place and we have what we believe to be a pioneering transport policy in place.

We recognise that we could do more – that is why we produce this report – to reflect on what is working well and where further action is required. As always, we welcome your feedback and comments.



Juliet Davenport
Chief Executive, Good Energy

Reducing the impact of Climate Change is central to Good Energy's business. In 2006, Climate Change became an accepted reality. Campaigners, businesses and organisations have been raising awareness about the issue over many years. During 2006, two definitive pieces of work helped to stress the reality of Climate Change: Sir Nicholas Stern's Review on the Economics on Climate Change and 'The Inconvenient Truth', a film by the former Vice President of America, Al Gore.

There is still time to avoid the worst impacts of climate change, if we take strong action now'

Sir Nicholas Stern, 2006

At Good Energy we have always believed in providing information about the causes and effects of Climate Change to empower individuals to take steps to reduce their carbon footprint. During 2006, we continued to provide a wealth of information into the public arena to further focus the issue of Climate Change.

The climate has always fluctuated but there is now unequivocal evidence that human activities are directly influencing Climate Change. Greenhouse gases such as water vapour, carbon dioxide and methane, trap and re-emit infrared radiation emitted by the Earth's surface – this keeps the earth warm. However, the concentration of greenhouse gases now far exceeds pre-industrial levels. Before the industrial revolution, the level of greenhouse gases in the atmosphere was 280 parts per million CO₂ equivalent - the current level is 430 parts per million CO₂ equivalent (Stern Review 2006). It is this dramatic increase in carbon dioxide that is causing the earth to warm. In fact the ten warmest years on record have all occurred in the past twelve years. (MET office and University of East Anglia, 2006)

Increases in the temperature by only a few degrees are predicted to cause widespread social and environmental impacts, including species extinction, millions of people left homeless through flooding and threats to global food production to name but a few. The Stern Review calculated the impact Climate Change will have on the world economy. A minimum of 5% of the global Gross

Domestic Product (GDP) could be lost to Climate Change. If more dramatic predictions are realised, the cost could be more than 20% of GDP which is equal to £380 trillion. To put it simply, each of us could become 20% poorer.

While the consequences are dire, the solutions we need exist today. In fact by investing just 1% of global GDP in measures to counter Climate Change such as emissions trading schemes, energy efficiency and low carbon technology such as renewable energy generation, we can stabilize levels of greenhouse gasses and avert dangerous Climate Change.

Crucially, we must act today. By supplying 100% renewable energy, Good Energy is helping each customer to cut their personal carbon emissions by up to a third on average. Through the support of our customers, Good Energy is continuing to raise awareness about Climate Change, to support renewable energy schemes and to lobby government to introduce practical energy solutions. The solutions to Climate Change can be simple and easy and have a massive effect when practiced by millions of people. Good Energy's aim is to bring more and more solutions to more and more people.

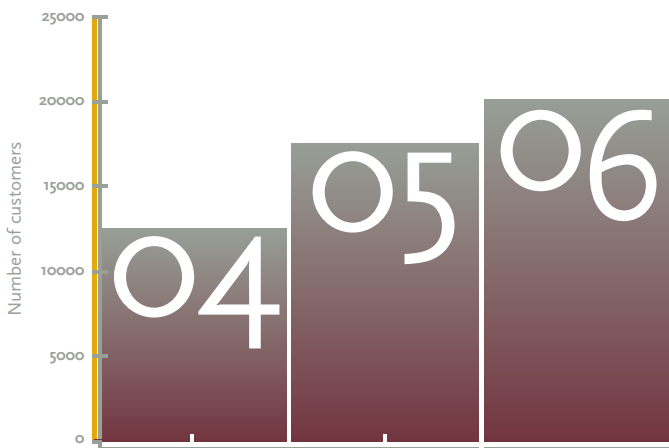


2006 was a year of consolidation for Good Energy, with customer numbers increasing from 18,000 – 20,600.

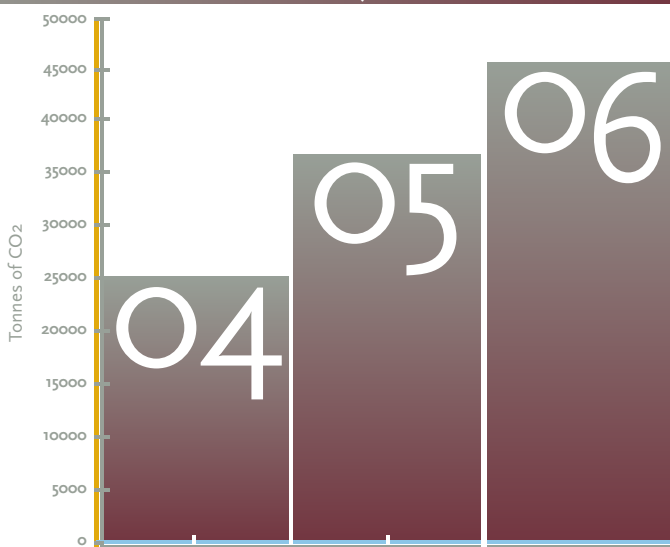
The company took the decision to follow a slow growth curve during 2006. This enabled the company to concentrate on the internal issues surrounding bringing formally outsourced services in-house and the associated large increase in the number of employees.

The Good Energy customer base is made up of domestic and business customers across the UK. The majority of our customers are domestic, with approximately 2000 businesses signed up to Good Energy. During 2006, our customers have reduced their personal carbon dioxide emissions by 44,000 tonnes. Since Good Energy began in 1999, the reduction in personal CO₂ emissions by our customers totals 146,784 tonnes – that is about the same as driving round the equator 16,300 times by car.

Good Energy Customer Numbers 04, 05 & 06



Good Energy Reduction in Personal CO₂ Emissions by our Customers



Communication of issues around Climate Change and renewables is central to the activities at Good Energy. Our vision is to empower individuals to reduce their impact on Climate Change – this may involve switching to 100% renewable electricity, installing microgeneration technology or taking action to reduce energy consumption.

To help individuals on their carbon reduction journey we produce a range of communications materials including a regular newsletter which goes to all customers, an e-newsletter as well as our website, which we relaunched at the end of 2006 with improvements to the design format and navigation. In all our communications, we seek to be clear and transparent – it is therefore pleasing to report that we received no complaints from the Advertising Standards Agency during 2006.

We held our second wind fair at our Delabole Wind Farm in Cornwall, attended by 3000 people. A series of microgeneration forums were held as part of the wind fair, to allow an exchange of information on the practical realities of generation installation. We also offered tours of the wind turbines as well as a range of activities for children. Particularly striking was the illumination of the wind turbines in the evening – so dramatic was the effect that we also managed to pick up a Green Award for the best outdoor advertisement.



2006 Targets

- ✓ To reduce 40,000 tonnes of emissions of CO₂ – equivalent to 20,000 customers
- ✓ To have no complaints upheld by the Advertising Standards Agency
- ✓ To hold the Wind Fair for the second consecutive year

2007 Targets

- To achieve between 22,000 and 25,000 customers by year end, resulting in a reduction of between 44,000 and 50,000 tonnes of emission of CO₂ by our customers.
- To hold the Wind Fair for the third consecutive year
- To have no complaints upheld by the Advertising Standards Agency

Good Energy supplies 100% renewable electricity. We don't offer any other tariffs – our product is pure and simply 100% renewable at all times.

We guarantee that for every unit of electricity used by our customers via the national grid, a corresponding unit of renewable electricity is supplied into the grid. To ensure that we are meeting this commitment, we publish an annual independent verification report. It states, 'During the period 1 April 2005 – 31 March 2006 Good Energy complied with its obligation to match sales to its customers with purely 100% renewable generation ...' The full verification statement is available on page 9.

In 2006, Good Energy's renewable electricity was generated from the clean sustainable sources of wind (88.7%), running water (11.2%) and sun (0.1%). For the first time, Good Energy also purchased a small amount of energy in 2006 from a tidal generation scheme (0.01%).



Since 2005, Ofgem have placed a requirement on all energy suppliers to provide information to their customers on the source of their energy supply, known as the 'Fuel Mix Disclosure'. We are proud to be the only electricity supplier in the UK that can demonstrate a 100% renewable fuel mix disclosure.



Good Energy has an active policy to purchase all the electricity it supplies from small to medium independent suppliers across the UK. In this way, we can support

individuals that have invested in renewable technologies for a sustainable future. During 2006, the number of generation schemes we supported grew from 212 to 283. Of these 283 generation schemes, the breakdown is as follows:

- 244** home gen (up to 6 kW)
- 7** smart gen (6 – 75 kW)
- 12** PPAs (75+ kW)
- 20** offgrid (less than 10kW)

Good Energy sources the renewable electricity it supplies with great care to ensure that it meets clear environmental and conservation criteria, including the provision of a full environmental impact assessment of sound, visual and ecological effect. These principles are defined within Good Energy's purchasing policy.

The electricity market place is complex and sometimes misleading for consumers. As a company, we have been actively campaigning for an independent accreditation scheme to provide consumers with clear information on the environmental benefits of the product that they are purchasing. With this in mind, we commissioned the Environmental Change Institute at the University of Oxford to conduct a review of international accreditation schemes which we circulated widely within the industry. In December 2006, the National Consumer Council conducted a detailed review of all electricity tariffs in the UK and also recommended the need for an accreditation scheme.

All of these activities do make our product one of the more expensive electricity tariffs in the market place. However, we continually take every effort to remain as competitive as possible.

Good Energy receives highest commendation

For those consumers who want a green electricity supply, pure and simple, this is probably the closest they will get to it.

National Consumer Council 2006

2006 Targets

- ✔ To support the introduction of a renewable electricity accreditation scheme. Achieved – commissioned an independent review and circulated.
- ✔ To support new technologies e.g. off-shore wind generation.
- ✔ To publish a procurement policy on biomass generation.
- ✔ To continue support for community schemes
- ✔ To develop some initial concepts for sustainable energy products for the renewable heat market, for launch in 2007

2007 Targets

- To continue to actively lobby for the introduction of a renewable electricity accreditation scheme
- To purchase renewable electricity from biomass, in line with the new procurement policy
- To continue support for community schemes
- To further develop concepts for sustainable energy and carbon reduction products



Good Energy is committed to supporting independent renewable generation across the UK. As the threat of Climate Change grows, individuals increasingly want to take personal action to generate their own energy requirements – we offer them a market for their electricity where they can be assured of support and personal attention. The government predicts that by 2050, microgeneration could provide 40% of the UK's energy requirements – we want to help make this a reality.

Home Generation, launched in November 2004, was pioneered by Good Energy – it offers a payment to home generators for both the electricity generated and used on-site. During 2006, the number of home generation schemes grew from 184 to 264, including 20 off-grid generators, representing a growth of 43%. In recognition of the contribution that this scheme has made to the renewable electricity market, Good Energy received an Ashden Award.



Juliet Davenport, Good Energy receives Ashden Award 2006

The majority of Good Energy's home generators use the energy of the sun to generate their electricity (87%) with wind (12%) and hydro (1%).



wind



hydro



sun

Case-Study:

St Aldhelm's Church

St Aldhelm's Church in North London was struggling to cope with the excessive heat from skylights above their large hall. Some lateral thinking turned a problem from the sun's energy into an asset.

“We could only afford the project if we had significant funding and the key to our success for gaining the grant was to present this as an educational project, including sermons, display panels and the solar panels themselves which we suggested presented an opportunity to make people stop and think “how can I save energy and help to stem global warming?”. The scale of our project makes it a pioneer in the UK and it has taken us some months to find a company who can pay us for the power we generate. Good Energy's Smart Generation scheme is providing us with what we are looking for and we hope our efforts are paving the way for many similar projects to follow.” David Bolster, St Aldhelm's Church



St Aldhelm's Church

2006 Targets

- ✓ To launch Smart Generation, a scheme aimed for small generations (6kW – 75kW)
- ✗ To maintain a growth of 50%, bringing the total number of home generators to 275. Although close, this target proved to be slightly overambitious with a total of 264 home generation schemes by year end.

2007 Targets

- To bring the total number of home generators to 400.
- To bring the total number of smart generators to 20.
- To improve the information on generation on the Good Energy website, thereby raising awareness of the concept of microgeneration and improving support to new generators.

It is the dedication and commitment of our staff which has enabled Good Energy to go from strength to strength. Ensuring that work is a positive experience is part of the company ethos – this includes providing pleasant offices, celebrating successes and ensuring that all employees are given stretching but achievable goals. In addition, the company seeks to adopt the best possible environmental practice for the workplace in order to save energy and reduce waste.



Good Energy Staff 2006

During 2006, there was a large increase in the number of staff employed by Good Energy. Customer services and billing were brought in-house which brought the total number of staff up to 32, from 14 at the end of the previous year. As a result, new office locations were required and the company moved a short distance to a purpose-built office block. Whilst this building is still within close walking distance of the station, it does not boast the environmental features of the former offices and represented an interesting challenge.

The expansion into new offices led to a large requirement for new office equipment, including desks, chairs and computers. All the furniture was bought from the previous occupiers – some items were even third hand. Reconditioned computers were purchased wherever possible. A small number of items needed to be bought new - in compliance with the company's environmental purchasing policy, all suppliers are required to provide information on their environmental credentials before any orders are made. On arrival at the new offices, the company installed bike racks and showering facilities to encourage individuals to commute to work by bike.

The company uses a cleaning company that has a commitment to environmental best practice. Ecover products are used throughout the building for all cleaning activities, with the reuse of all containers through a

decanting service offered by Ecover. The cleaners are also strong proponents of naturally collected rain-water, which is found to be particularly effective for window cleaning.

Good Energy places considerable thought around the transport issues surrounding their staff. Easy access to the bus and train station supports the use of public transport for business and commuting purposes. The company has developed a comprehensive transport policy which provides guidance to staff on when car journeys are acceptable but also supports individuals in questioning whether a journey is really necessary at all. In 2006, the company also introduced a carbon calculator for completion by all staff when travel expenses are claimed to help raise individual awareness about the impact of their business travel.

As anticipated, the large increase in the number of staff has led to a growth in the total number of business miles travelled by the company, reaching almost 45,000 (Figure 1). There was a decline in the number of kilograms of carbon dioxide emitted per member of staff from 2005 – 2006 (Figure 2) although Good Energy's emissions per customer has increased marginally (Figure 3).

Figure 1

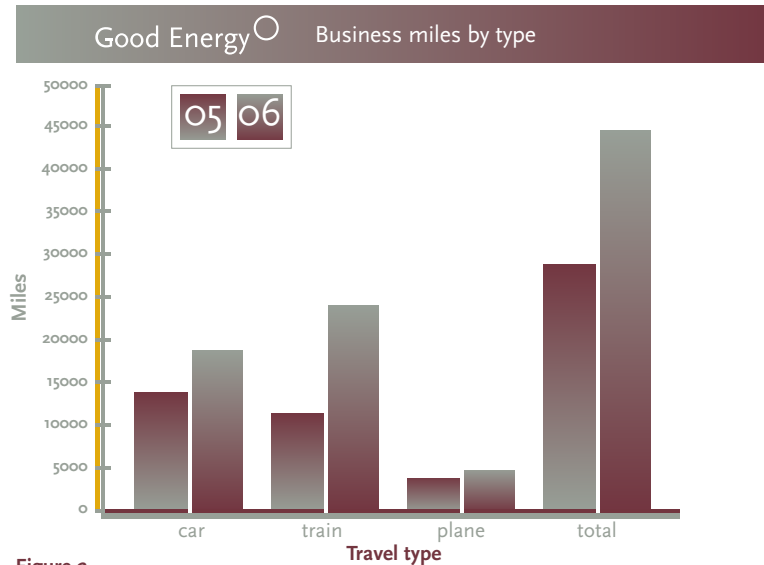


Figure 2

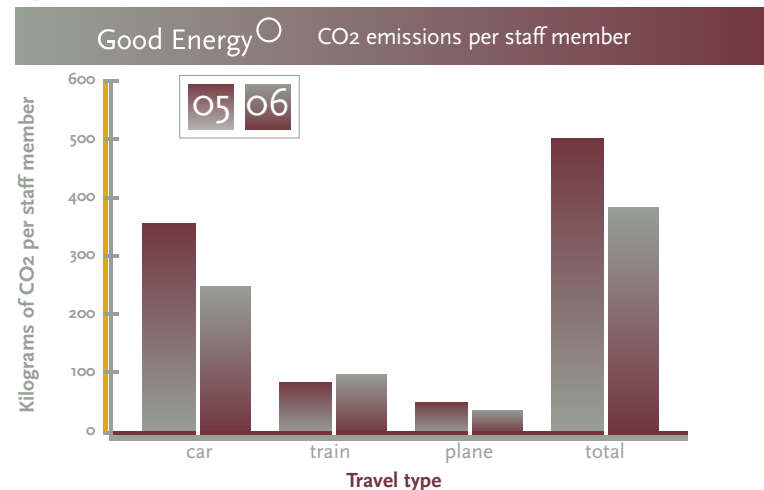
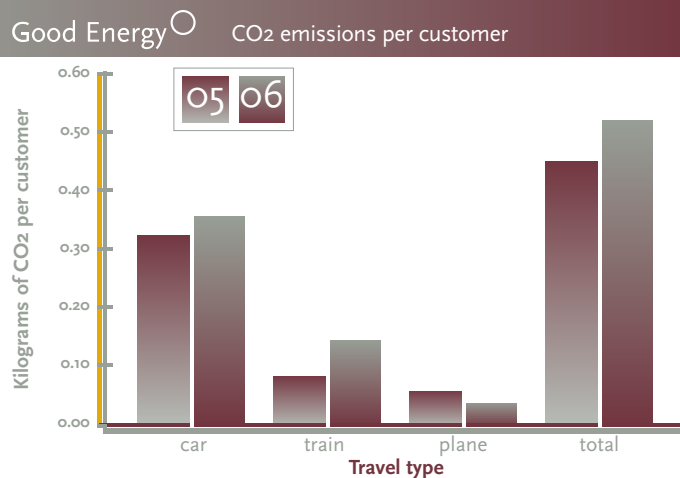


Figure 3



Efforts to reduce waste within the company have been taken. Individuals are encouraged to print on scrap paper wherever possible and all correspondence to customers is sent out double-sided. An office recycling scheme is in place and includes office paper, glass, metal and plastic.

The company aims to provide a positive working environment where individuals are supported to grow and develop, that all employees treat each other with respect and that above all employees feel valued and happy in the workplace. The company has a company manual which provides an introduction to all new employees on working practices. All staff have job descriptions, reviews are conducted on a six-monthly basis with active training and development plans in place. Where in the past it has been possible for many informal activities to take place to support staff motivation and integration, the increased size of the company requires a more defined and strategic approach is to be addressed during 2007.

Sources
 CO2 conversions taken from National Energy Foundation.
 Mileage for road and train journeys calculated using AA routefinder.
 Air miles calculated using www.carbonneutral.com/cn/calculators/flightcalculator.asp

2006 Targets

- ✓ To introduce a CO2 calculator for each business meeting.
- ✗ To introduce a sliding bonus payment to individuals based on CO2 emissions from travel to work. This will be addressed within a wider review of staff travel to work and the creation of a travel plan.
- ✗ To formalise our work on 'corporate responsibility' and 'health and fitness of employees'. This target has been carried over to 2007.

2007 Targets

- Commission an independent eco-audit of the building and operations of the company.
- Overhaul the company manual to provide an improved source of information to new employees.
- Formalise strategies on 'corporate responsibility' and 'health & fitness of employees'.
- Create a travel plan to address issues surrounding staff travel to work.

INDEPENDENT ACCOUNTANTS' REPORT TO THE DIRECTORS OF GOOD ENERGY LIMITED

We have examined the underlying records of Good Energy Limited in accordance with our terms of engagement and scope of work procedures dated 15 November 2004, which the directors have agreed.

Our work was performed solely to provide the directors with a report regarding the company's commitment to supply customers with power generated from renewable resources. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the directors as a body, for this report, or the opinions we have formed.

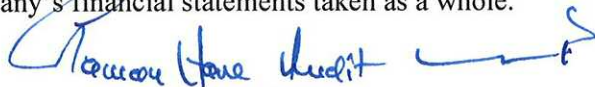
The procedures performed consisted of a review of relevant records and correspondence, analytical procedures and enquiries of management. The results of these procedures indicate that:

1. in the period from 1 April 2005 to 31 March 2006 Good Energy Limited sold 93,925 MWh of electricity to its customers.
2. during the period to 31 March 2006 Good Energy Limited bought renewable energy from recognised renewable generators of at least 100% of the above value; Good Energy Limited holds Renewable Energy Guarantee of Origin Certificates ("REGO's") and Generator Declarations which identify the renewable source of supply for at least 100% of the above value.
3. for the period from 1 April 2005 to 31 March 2006 Levy Exemption Certificates ("LECs") to the amount of 100% of the electricity sold were held by Good Energy Limited. As these LECs are held no Climate Change Levy is charged indicating that the electricity sold is derived from renewable resources.
4. for the period from 1 April 2004 to 31 March 2005 Good Energy Limited surrendered sufficient renewable obligations (ROC) to meet the Governments target of 4.9% of MWh usage for the period, and held sufficient ROC to retire a further 5.1% of ROC equivalents for that period.

Based on the above procedures, in our opinion during the period 1 April 2005 to 31 March 2006, Good Energy Limited complied with its obligation to match electricity sales to its customers with purely 100% renewable generation and holds Levy Exemption Certificates, Renewable Energy Guarantee of Origin Certificates and Generator Declarations in respect of 100% of these sales, and for the period 1 April 2004 to 31 March 2005 the Company met the Government target of surrendering renewable obligations to 4.9% of the Company's MWh output. The Company retired a further 5.1% of ROC equivalents.

The procedures performed to verify the above statements do not constitute either an environmental or a financial audit. Should we have carried out any additional procedures, whether audit or review, other matters may have come to light that may have been reported upon.

This report is restricted to the directors of Good Energy Limited based on their agreement of the procedures performed. It also relates only to the above specific statements and does not extend to the company's financial statements taken as a whole.



SOLOMON HARE AUDIT LLP
Chartered Accountants
Bristol

8 March 2007

Good Energy's Environmental Policy Statement

Good Energy's mission is to empower individuals to reduce their impact on Climate Change. As an organisation, Good Energy recognises that our own activities have an impact on the environment and seeks to minimise them at all times. This environmental policy represents the guiding statement from which a wider set of detailed policies on transport, waste management and purchasing exist to ensure that Good Energy operates in an environmentally responsible way at all times.

Our environment

As a business, Good Energy recognises that we have both direct and indirect impact on our environment. We have the ability to directly control and reduce our impacts on the environment in relation to the **energy** we consume, the waste we produce and also the **travel** to business meetings made by staff. In addition, we take responsibility for the **purchasing** decisions we make and their related environmental impact – as an energy supplier we buy large quantities of renewable energy on behalf of our customers which meets strict environmental criteria. We also encourage our staff to walk, cycle and car-share wherever possible to reach our offices.

Our commitments

Minimise our contribution to Climate Change through taking actions to reduce energy consumption, the use of 100% renewable electricity in our offices and the use of public transport or bicycles wherever possible.

Minimise waste production through reuse and recycling initiatives.

Ensure that the environmental impacts of all purchasing decisions are considered before any product or service is bought.

Communicate clearly on our policies to customers and suppliers to raise awareness about environmental responsibility and provide our customers with advice on the efficient use of energy.

We will ensure continuous improvement by:

- Monitoring and reporting on our environmental performance every year.
- Setting targets for improvement on an annual basis.
- Listening to the feedback from our stakeholders.
- Providing training and raising awareness among employees.

