Green energy procurement:

the complete guide for energy consultants

good energy

Green energy procurement: the complete guide for energy consultants

good energy

As an energy consultant, you're used to navigating a complex marketplace to find the best tariff for your client's needs and usage patterns. An increasing number of clients will be specifically asking for a green energy tariff, which requires additional knowledge so that you can sort the green from the greenwash. To help, here's our complete guide to green energy procurement for consultants.

Green energy tariffs: client motivations

Most organisations who choose green energy are doing so because they are trying to reduce their greenhouse gas (GHG) emissions, usually as part of a structured plan.

Emissions from procured energy are often described as "Scope 2" emissions, because this is how they are categorised by the GHG Protocol, which is the world's most widely accepted framework for measuring emissions. There are various reasons why an organisation might be trying to reduce its Scope 2 emissions through a renewable energy contract.

For some businesses, it is a need to comply with regulations that kick-starts the move towards decarbonising their energy supply. Both SECR (Streamlined Energy and Carbon Reporting) and ESOS (the Energy Savings Opportunity Scheme) require the gathering of detailed data on energy use by different parts of the organisation. Although there is no regulatory requirement to start using greener energy, the processes involved in complying with the regulations can prompt many businesses to think harder about both their energy use and energy sourcing.

What is Streamlined Energy and Carbon Reporting?

- Mandatory scheme requiring large businesses to publicly report on their energy use and greenhouse gas emissions.
- Applies to about 11,900 UK companies.
- Use of renewable energy allows companies to report lower net emissions in the "Scope 2" category, making SECR a driver for uptake of renewable energy tariffs.

Other businesses may be motivated by the growing threat of climate change to set voluntary emissions reduction targets. The Science-Based Targets initiative is the best-known framework for reducing emissions enough to be worthwhile. To be considered science-based, your planned reductions must be in line with what the science says is enough to keep the increase in global temperatures below 2°C. Many go further and aim for reductions in line with 1.5°C, while others are even more ambitious and have a deadline for achieving net zero emissions. Because science-based targets must be scientifically rigorous and externally validated, organisations who sign up to the initiative can't afford to go with greenwashed options for their energy; they need confidence that their tariff is genuinely green.

Electricity: dodging the greenwash

Not all suppliers offering electricity tariffs marketed as "green" or "100% renewable" actually source electricity generated from renewable sources. The eco-friendly terms used to market various tariffs can be misleading, so a careful review of the options is recommended.

Potential pitfalls come from a scheme that was set up with the intention of helping customers to tell what proportion of their electricity comes from renewable sources. Renewable Energy Guarantees of Origin, better known as REGOs, are certificates issued to generators per megawatt hour of renewable electricity they generate. When a supplier buys the renewable electricity from the generator, they also buy one REGO for each megawatt hour, which they use to "prove" that the electricity they supply is from renewable sources. The problem is that it is legal to buy the REGOs separately, or "unbundled" from the energy itself, which means there is a secondary market in buying and selling them.

So, a supplier who wants to offer a "green" tariff just has to buy power from the wholesale market (a mix of all sources including fossil fuels and nuclear) and then separately buy enough REGO certificates to label this brown power "green". This practice is both perfectly legal and very common.

Good Energy has been campaigning to change the rules so that "green" really means green, and the government is currently looking into this. This is yet another reason for you as an energy consultant to separate the REGO-backed "green" tariffs from genuinely green electricity; if the rules change, clients on greenwashed tariffs will find that their electricity supply suddenly has a much less environmentally friendly label, which could pose a reputational risk.

Government Call for Evidence: making green tariffs more transparent

The corporate green electricity procurement guides from the Climate Change Committee and The UK Green Building Council both address the lack of provenance and additionality of pure REGO-backed tariffs.

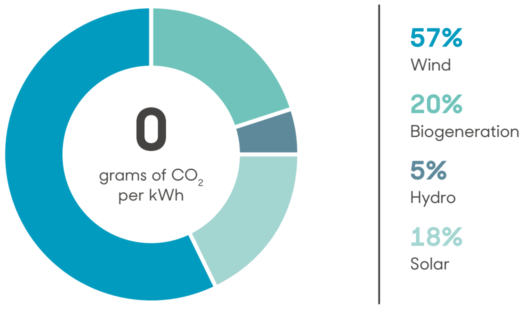
The government has promised a Call for Evidence in 2021 on how to ensure consumers receive transparent information on carbon content when choosing an energy tariff marketed as "green".

What to look for in a green electricity supplier

To secure a genuinely green tariff for your client, it's important not to take the tariff at face value. You should be looking for:

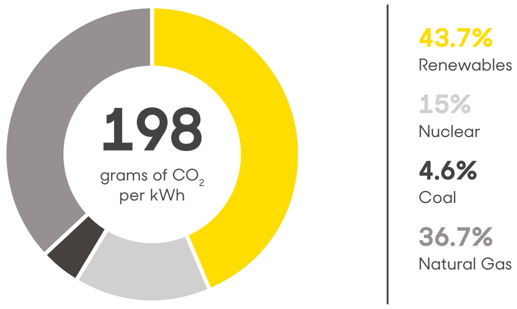
Transparency about sourcing. Every year UK electricity suppliers have to publish the fuel sources used to generate the electricity they sell. This is known as the fuel mix disclosure (FMD). Unfortunately, it is perfectly legal for a company to list its REGO-backed energy under "Renewables" in its FMD. This means that in addition to checking a supplier's FMD, you also need to get more detail about their sourcing. What proportion of their "renewable" energy is just backed by REGOs? Do they have direct relationships with renewable generators? Can they tell you how many generators they buy from, and where they are?

100% renewable fuel mix



- The power comes from renewable sources only
- The disclosure shows figures for each renewable generation type
- The power comes from a diverse range of sources

Renewable & non renewable fuel mix



- The power comes from fossil fuels as well as renewable sources
- Not immediately obvious what the renewable sources are

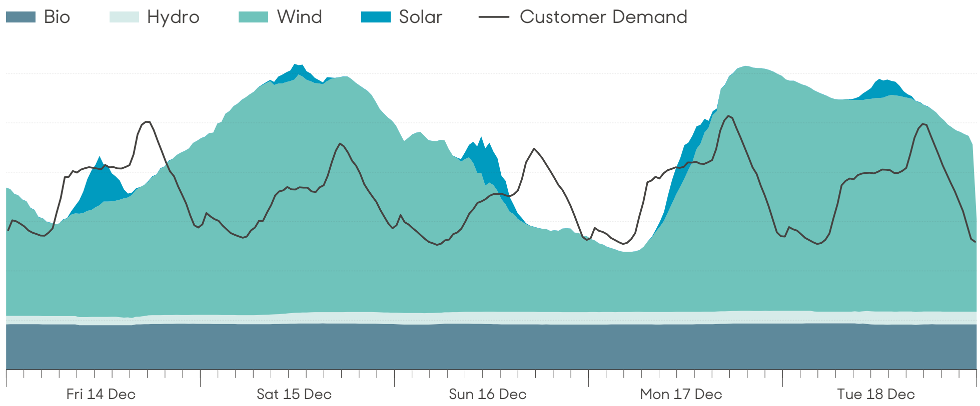
A direct relationship with generators. You need reassurance that the supplier is working directly with generators. Good Energy matches every unit of electricity used by customers with a unit sourced through a direct Power Purchase Agreement (PPA) with a certified renewable generator. We also own and manage our own renewables projects; currently six solar projects and two wind farms.

We believe that the future of renewable energy is distributed, so we want to make it easier for new renewable projects to get off the ground. For example, generators that want to build a new asset who secure a PPA with Good Energy can show potential funders that their project has a guaranteed income stream, making it easier to secure funding. Once the project is up and running, we buy electricity from the generator at a fair price.

Check how a supplier matches renewable supply with customer demand. Checking how a supplier matches their renewable power supply with their customers' electricity demand will demonstrate that they know where the power originates at any given time. A green supplier should actively look to match their customers' usage to purchased sources of renewable power throughout the day.

Aiming to match supply and demand every half hour

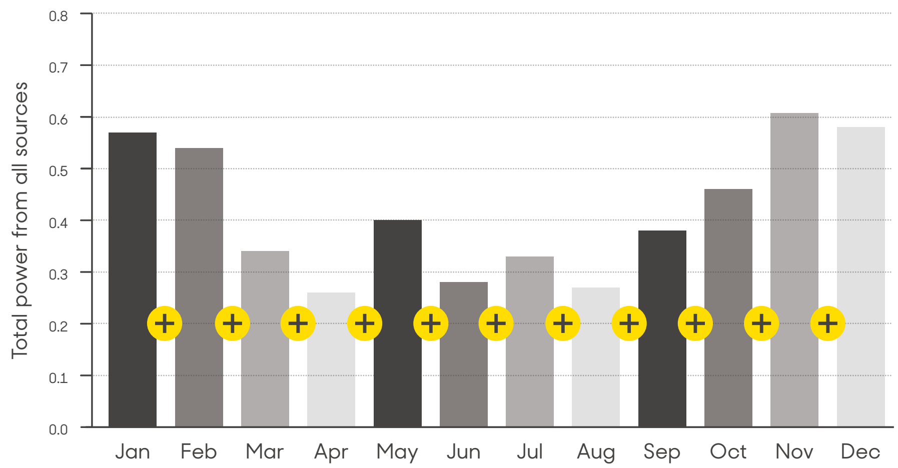
- A supplier receives Guarantees of Origin (REGOs) from renewable generators on a monthly basis as they're created by OFGEM to cover the renewable power that's been purchased.
- Any excess REGOs at the end of the year are retired rather than traded with other energy companies.



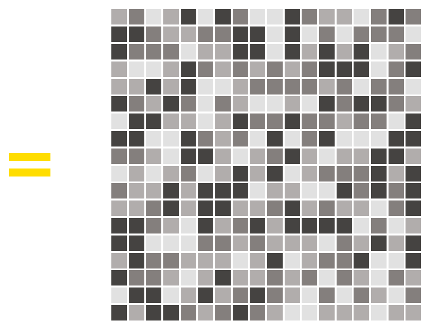
Retrospectively balancing supply and demand

- Supplier has no process in place to match in real-time.
- Supplier calculates how much power has been supplied over the past year to customers and buys the number of Guarantee of Origin certificates needed from the open market to claim this power as renewable.

Power sold as renewable over the year



Total number of Guarantees of Origin to be purchased



Additionality. The UK Green Building Council (UKGBC) guidance on working towards net zero buildings emphasises the principle of additionality. This means that spending on renewable energy is only valid if it goes towards the creation of new renewables projects that wouldn't come into existence otherwise. That's one of the reasons why buying REGOs separately from renewable power isn't good enough; the renewable energy originally linked to the certificate has already been generated and it does nothing to boost the supply of renewables to the grid. Unfortunately, only a tiny number of UK suppliers are recognised by the UKGBC as offering true additionality. (Good Energy is one of them.)

Green gas: what to look for

When we talk about "green gas", we usually mean biomethane gas. This comes from various sources, including anaerobic digestion of food waste and capturing the gas from decaying waste in landfill. It is considered carbon neutral because the organic matter that is decaying has absorbed as much CO2 when it was alive and growing as it gives off during the decomposition process.

Unfortunately, the amount we produce in the UK isn't enough to cover even 1% of gas use. This means that most gas on the grid is natural gas from fossil fuel sources and most suppliers with green gas tariffs are using offsetting to make their tariffs carbon neutral.

However, just as with electricity, there is a lot of greenwash, because not all offsetting is equally valid. Some suppliers may be "greening" their gas through projects such as tree-planting or solar electricity farms. While these things are good in themselves, they do nothing to create more genuinely green gas. Others may be using Renewable Gas Guarantees of Origin (RGGO) certificates to sell their gas as green, but these are problematic in a similar way to REGOs in the electricity market: you can purchase RGGOs separately without having any dealings whatsoever with green gas generators.

Good Energy's offsetting is different because we actually invest in biomethane gas projects overseas, which means that every unit of green gas we sell is backed by an investment in creating an equivalent amount of truly green gas overseas. This is the only meaningful way for a supplier to "green" the gas it sells, but you still need to ensure that any supplier which takes this route is partnering with a legitimate organisation. Is the offsetter part of a body such as the International Carbon Reduction and Offset Alliance (ICROA)? Good Energy works with ClimateCare, which is an internationally recognised offsetting organisation.

Offsetting case study: Sichuan province

Good Energy supplies 10% biogas because this figure represents the maximum percentage of the UK's gas demand that can be met by sustainable, UK produced biogas.

To make our gas tariffs carbon neutral, we've partnered with offsetting organisation ClimateCare to invest in projects that increase biogas generation.

One such project is in Sichuan, one of China's poorest provinces, where average annual incomes equate to €500. The province was also struck by an earthquake in 2008, which left nearly 5 million people homeless.

Xuyong Biogas helps communities to rebuild by installing household biogas digesters and providing training on how to maintain them. This allows farmers to use animal waste to generate clean fuel, reducing the need for households to spend money on polluting coal.

Quick checklist: five questions to ask green energy suppliers on behalf of your clients

1. How much of your renewable electricity comes from power purchase contracts you hold directly with renewable generators and how much is being claimed as renewable on the basis of REGOs acquired separately?
2. Is your renewables spending truly additional – that is, does it result in the creation of new renewables?
3. How do you support renewable generators: through power purchase agreements, some other kind of investment or direct ownership/management of the asset?
4. Where are your renewable generators based and how many are local to my client?
5. Does the offsetting scheme for your green gas help to increase the global supply of green gas, or does it involve something unrelated, such as planting trees?

Going beyond a green deal

A client that is concerned about their carbon footprint is likely to also care about their impact in other areas. Increasing numbers of businesses are incorporating the Sustainable Development Goals from the United Nations into their corporate strategy. These go beyond climate change to issues such as gender equality, ending poverty and responsible production. You may be able to help your client find a supplier in line with their non-climate goals.

For example, although low-carbon energy can be produced anywhere, there may be ethical advantages to securing a contract where the energy is generated nearby. Since you are already drilling into the details of how your suppliers get their energy, you can use this information to find out who invests in generators local to your client. Supporting the creation of good local jobs is in line with Sustainable Development Goal 8: Decent Work and Economic Growth. It also allows your client to strengthen links with the local community through its contribution.

You may also want to explore the philosophy and attitudes behind a supplier's investment in renewables. Good Energy doesn't seek to control generation projects, but rather to support them as they are run by others. This is because we believe that the most democratic and resilient energy generation systems are decentralised.

Exploring other options: corporate PPAs

Of course, many businesses choose to have more direct control over their clean energy supply, either by investing in their own on-site generation, or by entering into a corporate power purchase agreement (CPPA).

A CPPA is a long-term contract under which a business buys its energy directly from a renewable generator (the generator is connected to the grid). CPPAs help to support the growth of renewables, as they give generators a guaranteed revenue stream for the energy they produce.

For energy consultants advising clients on these routes, it's important to note that many of the perceived advantages of CPPAs can be achieved through a supplier contract. For example, when you choose Good Energy you are helping to support new renewables and being given detailed information about where the generators are based (we support over 1,600 independent generators). Many organisations choose PPAs precisely because they want this kind of control and transparency around their energy supply.

Other ways to add value

As a consultant, there are many ways to set yourself apart from the rest and demonstrate to the client how much value you have to offer.

Stay aware of energy trends. The energy market can be volatile and the changes in our lives wrought by Covid have made things even less predictable. Staying on top of trends in the wholesale energy market will help you advise clients on how it could affect their options.

Understand client motivations. In the first section of this guide, we explained that clients usually don't look for greener energy contracts in a vacuum, but often in the context of regulatory compliance or a voluntary commitment to a sustainability scheme. If you can understand what your client has committed to and what it involves – e.g. understanding science-based targets or the requirements of SECR – you can deliver exactly what they are looking for.

Offer advice on wider issues. As an energy consultant looking for the best-fit deal, you will already be looking in detail at a company's energy use, both in terms of intensity and usage patterns. This may allow you to offer tailored advice that goes beyond recommending a contract. For example, a business with a fleet of electric cars might benefit from a variable tariff and implementing the practice of charging vehicles at times when there is a surplus of renewable electricity. This is one of the many options you can explain when talking them through future billing options.

Suggesting green tariffs unprompted. Most of your clients will not specify that they want a green tariff – they're just looking to you to find the best deal. You can add real value by making them aware of the green options available and explaining the possible benefits of a move to renewables. If you understand the climate science behind the need for a global shift in energy sourcing and the changing regulatory landscape around carbon reporting, you can stand out in the crowded field of procurement specialists.

Click to view a case study on Farmdrop: The online grocer powered by renewables

good energy

If you'd like to learn more about green energy procurement, and Good Energy's approach, we'd love to hear from you.

Get in touch

business-sales@goodenergy.co.uk

goodenergy.co.uk/business/energy-consultants