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By Email Only

OVO's response to the CMA's call for inputs on Environmental sustainability and the competition and consumer law regimes

About OVO

OVO is the UK's third largest domestic energy supplier. Our work goes far beyond that of a traditional energy retailer; we are a decarbonisation company for the home, and our sustainability strategy, Plan Zero, commits us to tackling the most critical issue of our time - the climate crisis. This includes our commitment to achieve net zero emissions across our operations and support our members in reducing the carbon emissions from their home energy use.

Our vision is not just to help consumers cut carbon but to do so in a way that puts the value generated from decarbonisation directly back into consumers' pockets. We are also at the forefront of innovating the technologies and products that will be pivotal to decarbonising homes across the UK.

Response to the Call for Inputs

Introduction

We welcome the CMA's recent work across a range of sustainability issues. Ensuring consumers can trust the products they are buying and competitive markets are working in a way which supports the UK's net zero and environmental goals will be critical to the success of the transition. Energy retailers have an essential role to play in the transition to net zero. **At OVO, we are committed to helping our members unlock the greatest possible value from decarbonising their homes, bringing forward new technologies and products.**

The energy households buy, largely through the energy tariffs they are offered by retailers, will be key in driving the net zero transition. Many energy suppliers already offer 'green tariffs' and these range significantly in their direct environmental benefit. The Supplier licencing framework run by Ofgem already ensures that the claims made on the environmental benefits of particular tariffs must be accurate.

In the future, energy tariffs will need to go beyond just incentivising investment in renewable energy generation and work to drive efficient use of energy (e.g., through time-of-use tariffs) and also payback consumers where they contribute value to the energy system (e.g., vehicle-to-grid charging). A much wider range of tariffs that deliver environmental benefit and enable the transition to a more renewable energy system are likely to be available to consumers as a result. In a more complex market, it is even more important that consumers can trust that the tariff they select will unlock the greatest value for their household and is aligned with reaching net zero. We therefore welcome BEIS's recent consultation on green tariffs to advance thinking in this critical area. **At OVO, we are already hard at work considering how best to support our customers on their decarbonisation journeys to unlock the greatest value** by creating a wider range of tariffs that suit different customer needs. **We set out our mission to deliver clean, affordable energy in our Plan Zero report.**

Protecting consumers

Stopping misleading green claims will be critical to ensure that consumers can trust that their contribution supports environmental sustainability. However, **work to examine and address misleading claims may be best undertaken on a sector specific basis and led by the relevant regulator.** While of course consumer protection law applies to all consumer facing firms, a more detailed approach for the energy industry is likely to be required given the complexities involved. A centralised approach could be less effective in ensuring that consumers are empowered to make decisions with the right information. This could ultimately slow the transition to net zero and wider progress on environmental sustainability, instead of improving the trajectory. A centralised approach could also risk stymying investment and innovation if the approach to assessing the greenness of products is too general.

Sustainability claims

To support industry and consumers to improve environmental sustainability, **the competition and consumer enforcement regimes should promote transparent and accurate information in markets.** The approach to competition and consumer law during the transition should also support first-of-a-kind technologies, taking account of new ways in which consumers interact with sustainability issues in markets, whilst still protecting consumers. In order to support and accelerate the transition to net zero by 2050, we encourage the CMA to ensure its enforcement of consumer law specifically related to sustainability claims reflects the reality of information available to the market, as well as the complexity and multi-dimensionality of the environmental impact products have.

How sustainability claims are enforced will be critical to reinforcing consumer trust, whilst also enabling rapid innovation in markets. It is right that consumer law should drive companies to seek out the necessary information to support sustainability claims, as technologies and products rapidly evolve over the course of the transition; it is reasonable to expect that new information may become available. Therefore, companies should not be

penalised retrospectively where information related to sustainability claims could not have reasonably been accessed or updated. More constructive measures could instead be used, such as ongoing guidance and engagement with firms, to ensure that sustainability claims are updated as soon as possible when new information comes to light. This approach would avoid discouraging companies from innovating or seeking new evidence on the contribution of certain products to the net zero transition.

Ofgem regulates energy supplier licences which already provide for specific requirements on how suppliers market their products to consumers. It also advises the CMA on mergers between energy network operators. **We do not therefore believe that an additional or alternative body or regulator is necessary to provide advice on environmental sustainability factors in relation to merger control**, given that Ofgem is already responsible for:

- “working with government, industry and consumer groups to deliver a net-zero economy, at the lowest cost to consumers
- stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable
- enabling competition and innovation, which drives down prices and results in new products and services for consumers.”

The energy market in particular will be subject to considerable change over the next 30 years. **On this basis, we believe that Ofgem is best placed to oversee energy suppliers’ handling of sustainability claims under the supplier licence.** As the sector regulator, Ofgem is closest to technological and product developments in the market and can thus take a measured view on the appropriateness of sustainability claims.

Defining environmental claims

On the question of whether a specific definition of specific environmental claims is needed to protect consumers, following the CMA’s recent consultation on environmental claims, we do not believe this would promote environmental sustainability in the energy sector. Given the pace and level of innovation required to transition to net zero emissions by 2050, any definition of environmental claims risks quickly becoming outdated and could restrict essential progress in how consumers and markets operate. Instead, **transparency and accuracy should be the guiding principles to shape markets and protect consumers in the charge towards environmental sustainability.**

New technologies

We value the CMA’s market studies to examine new or emerging markets which are evolving at pace. This helps industry and the CMA work together to understand the nuances of the market and certain technologies in order to better align consumer and competition law with the sustainability agenda. For example, we welcome the CMA’s recent market study into electric vehicle charging to ensure that uptake of electric vehicles can happen as quickly as possible.

Crucially, this gives industry a chance to take action before imposing remedies or other regulation which may curtail innovation and efficiency of the market.