

Competition and Markets Authority
Environmental Claims team

16 July 2021

Sent by email to: misleadinggreenclaims@cma.gov.uk

Dear environmental claims team,

Draft guidance on environmental claims on goods and services

Centrica is a business focused on delivering the net zero energy transition. We are ready to support a green recovery that works for both consumers and businesses. We agree with the CMA on the importance of environmental claims that are transparent, accurate and allow consumers to make informed choices.

We are supportive of CMA issuing guidance on this relevant issue, however we are concerned that the 'Energy' case study¹ in the draft consumer law guidance is not as clear as it could be and therefore has the potential to cause confusion in relation to the existing regulatory framework that is currently managed by Ofgem and is applicable to all retail electricity suppliers.

We understand that BEIS is considering the legislative and regulatory framework that applies to tariffs marketed as green and therefore propose that the CMA's guidance should also be aligned to the programme of work that BEIS is leading on.

Energy case study

We agree that a supplier should not be able to claim it is the UK's the cheapest and greenest without evidencing such claims. However, the case study should clarify where an energy company does not make such claims about itself but rather states that one of its tariffs is a green tariff, the level of substantiation needed for such tariff related claims is lower. The exact nature of the evidence required would depend on the specific claim but would relate to the environmental credentials of the tariff rather than the supplier:

- The guidance states that 'the company would need evidence showing that its energy supply has less harmful impact than average, and than most other suppliers'. The guidance should make clear that is only required where a company is claiming to be the UK's greenest energy supplier, or greener than average. Condition 21D of the Electricity

¹ Case Study 3 on page 36 of the guidance document:

https://assets.publishing.service.gov.uk/media/60a66a9cd3bf7f73893a8e1f/Draft_guidance_on_environmental_claims_on_goods_and_services-.pdf

Supply Licence² sets out the requirements that an energy company needs to meet if it wants to make environmental claims about one of its tariffs. If an energy company makes the basis of the environmental claim clear to its customers, it is entitled to promote the environmental credentials of its tariffs where it satisfies the requirements of Condition 21D of the Electricity Supply Licence.

- The guidance criticises the hypothetical supplier that has 'just re-organised its tariffs so that some of them are said to comprise 100% renewable energy' again the case study should make it clear that this is only problematic because the company has claimed that it is the UK's greenest energy supplier. It is acceptable for suppliers to offer 100% renewable energy in some tariffs to cater for the desires of different customer demographics. Suppliers must also show customers the amount of renewable energy across their entire portfolio through the Fuel Mix Disclosure arrangement in the supplier's licence³. Therefore, customers can see the amount of renewable energy purchased across their energy supplier's portfolio for all tariffs and not simply the tariff the customer has chosen. This ensures that there is transparency for all customers who may choose a supplier for its environmental claims across its entire portfolio or for a particular tariff.

It is important that any CMA guidance is aligned with the licence conditions set out by Ofgem, which energy suppliers must abide by. Consistency across Ofgem and the CMA will ensure there is clarity for both energy suppliers and consumers, and that consumers can make informed choices based on a consistent description of what constitutes a green tariff.

We have no further comments on the consultation and guidance. And we remain supportive of the CMA's wider intent to provide clarity and guidance on environmental claims across sectors – specifically for those sectors that do not have existing regulation on environmental claims.

If you have any questions or would like to discuss our response, please contact me on [✂] [REDACTED].

Yours sincerely,

[REDACTED]

[REDACTED]

[REDACTED]

² Ofgem website:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

³ Condition 21 in the Supplier licence:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf>