



Net Zero: What you should know

Overview

Looking around at the current political and commercial landscapes, it's obvious that sustainability is here to stay.

There is clear momentum driving both private and public sectors towards Net Zero, a goal which The Carbon Trust defines as “achieving balance between emissions produced and emissions taken out of the atmosphere.”

However, while the definition is crystal clear, the discussions surrounding how to achieve Net Zero are far from it.

Within the energy industry, there are numerous debates underway relating to how businesses and domestic users can set about reaching this all-important target.

The aim of this guide is to give you our honest interpretation of what a business' approach to Net Zero should and should not look like – outlining what it really takes.

REGOs: Fantasies vs Realities

First, we want to dispel some of the myths and misconceptions surrounding REGOs.

The Renewable Energy Guarantees Origin (REGO) scheme was originally set up with the intention of making the electricity market more transparent – by telling customers what proportion of their energy comes from renewable sources.

But the scheme is failing to do this, because the certificates that prove the energy's origin are not necessarily sold alongside the energy itself.



REGOs: Fantasies vs Realities

Myth:

If a supplier offers a renewable tariff, it must be getting at least some of its energy from renewable sources.

Reality:

Any renewable generator which generates 1 MWh of electricity is eligible to receive a REGO certificate for that unit of power from Ofgem, to certify that it is green. The problem is that REGO certificates can be sold completely separately from the power; there is a thriving secondary market for this.

Suppliers are free to source all their energy from fossil fuel sources, only to then buy REGOs to market it as green. Right now, it is perfectly legal for a supplier to trade all year with brown power and buy 'unbundled' REGOs at the last minute to label a tariff as green.

REGOs: Fantasies vs Realities

Myth:

REGOs offer financial support to renewable generators.

Reality:

It only costs suppliers about 50p to purchase one REGO. The total cost to a supplier to claim that a domestic electricity tariff is green, by backing it with REGOs, is around £1.50 per year.

The money those renewable generators get from REGOs is so small it's negligible, so it does nothing to support the creation of new renewable projects.

REGOs: Fantasies vs Realities

Myth:

REGOs allow businesses to go green at low cost.

Reality:

It's true that, at present, some of the cheapest "green" tariffs tend to be offered by companies which get most of their electricity from fossil fuel sources and then greenwash it with REGOs.

But this is not really "going green" because the purchase does nothing to support the generation of renewables.

REGOs: Fantasies vs Realities

Myth:

REGOs are the fastest way to green the grid.

Reality:

The idea that REGOs will, at some point in the future, become significant enough to accelerate the decarbonisation of our energy system is unfounded.

The Climate Change Committee (CCC) has said unequivocally that the best way for businesses to support renewables through their choice of electricity tariff is to choose a supplier that holds direct Power Purchase Agreements (PPAs).

Defining a PPA

A PPA refers to a long-term electricity supply agreement between two parties, usually between a power producer and an electricity consumer.

PPAs can be used to reduce market price risks, which is why they are frequently implemented by large electricity consumers to help reduce investment costs associated with planning or operating renewable energy plants.

PPAs deliver much-needed “additionality” for businesses. In the Net Zero context, additionality means choosing to purchase

renewable electricity in a way that leads to the construction of a new renewable energy generating plant that would not have otherwise been constructed.

The direct result of this choice is an increase in renewable energy generation and verifiable emission reductions for the businesses involved.

Are there any truly “green” suppliers?

In the UK Green Building Council’s Net Zero advice, which we helped to shape, Ecotricity, Good Energy and Green Energy were the only three suppliers in the UK considered capable of delivering high quality sustainable procurement.

What your business can do

Some businesses switch to a green energy tariff and immediately think: “We’ve done it. We are Net Zero!” Unfortunately, a get out of jail free card like this just doesn’t exist.

While Carbon Neutrality can be achieved by short-term measures (e.g., procuring green energy and offsetting emissions), Net Zero requires a long-term approach.

A ‘one size fits all’ approach does not exist for Net Zero. Each individual strategy needs to be bespoke to the business it is meant to support. Here are five indicators of a Net Zero strategy designed to make a difference.

1. Onsite generation

Renewable technologies (e.g., solar panels) allow businesses to produce energy independently from the grid, without needing to worry about where the energy is coming from.

2. Offsite generation

For major energy users, investing in offsite renewables through PPAs provide useful additionality if businesses are looking to diversify their sustainability strategy.

3. Low-cost efficiency projects

As well as helping businesses to be more sustainable, low-price projects (e.g., installing LED lighting controls) can result in a quick return on investment.

4. High-cost efficiency projects

If budget allows, there are more expensive efficiency measures (e.g., PV and battery schemes) which can be funded by third parties.

5. Employee behaviour change

Multisite businesses with access to their energy can show their teams who has saved the most energy – creating a healthy sense of competition and delivering tangible savings at the same time.

Here are three major developments we expect to take place over the next 10 years, especially as the race to Net Zero intensifies.

1. The grid will go greener

The UK's electricity system will be powered, free of fossil fuels, in just four years. Data released ahead of COP26 indicates the growth in renewable electricity generation and progress towards periods of zero carbon operation of our electricity system.

2. Carbon taxation will come into play

UK energy consumers will face new taxes in coming years to meet the costs of achieving Net Zero. The move away from fossil fuels will lead to the drying up of receipts from fuel duty and vehicle excise duty, meaning that new revenue-raising measures will be needed.

2. The cost of offsetting will increase

The cost of offsetting corporate carbon emissions will increase ten-fold. Current prices of carbon offsets are unsustainably low and need to increase significantly to encourage greater investment in new projects that remove carbon from the atmosphere.

Did COP26 perform to meet the climate's Net Zero demands?

After two years of waiting and two weeks of heated negotiations, COP26 has finally drawn to a close. But how did it perform?

COP26 needed to deliver global engagement and commitment. It also needed to produce a set of clear measures, with a sense of clear accountability. It didn't, and things are only going to get tougher from here.

In 2009, the carbon budget for humanity was set at one trillion tonnes. With population growth, thousands of coal plants still driving

up emissions, and those most responsible for climate change not even engaging in summits like COP26, the issue wasn't taken anywhere near as seriously as it should have been.

If we could imagine a different outcome, we would have left Glasgow with a string of commitments which, combined, would have taken us to below 1.5C.

Does this now mean businesses will have to step up even more?

A non-political, borderless approach is the only way of winning the war against climate change, and business can deliver exactly that. It can cross borders and change the culture of carbon.

It is the only space where boardrooms are empowered to force change.

Why would they want to force change?

Because doing the right thing by the planet opens the door to new business. Profit and purpose are finally starting to align.

ESG scores are anchoring businesses who look after the planet close to the shore, where they can enjoy cheaper capital, better brand image and greater prosperity. Conversely, those who pay no attention to sustainability remain in choppy waters.

What we are doing to support

| We understand that getting to Net Zero isn't as simple as just moving supplier.

So, our approach sees us support clients with the design of an initial strategy, the procurement of green energy, the monitoring of data to drive down consumption, and the investment of on-site and off-site initiatives.

Our main goal is to drive transparency in the market and, most importantly, develop holistic Net Zero strategies that work both for businesses and the planet.

It's brilliant to see more and more business leaders adopting science-based targets and recognising that their buildings, old and new, need to change if we are to achieve Net Zero.

Whether you're already on your journey or just starting out, we can help your business on the way to operational Net Zero.

Work with us

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