

Green Certificates

Background

- Increasing pressure to improve the environmental performance of products, including electricity, has led to a need to differentiate products on the basis of the environmental impact.
- Green certificates provide a mechanism for recognising the 'greenness' of a product and can add value directly through product differentiation or as an independently traded certificate. Certificates to monitor and encourage 'green' power production are already attracting a good deal of attention throughout Northern Europe, and beyond.
- A number of different environmental policy instruments can result in the creation of a market for green certificates. It is expected that a variety of energy policy instruments yielding green certificates will continue to add value to 'green' electricity.

What is it? How does it work?

- Green certificates can, and do, take a variety of forms. They can be both passive – a product label and voluntary green tariffs - or actively traded linked to obligations or commitments.
- Some instruments, such as the Renewables Obligation and the Climate Change Levy have the potential to generate certificates of significant value.
- The accreditation of voluntary green tariffs in the UK has been abandoned following the introduction of the Renewables Obligation.
- In the UK:
 - **The Renewable Obligation** - Under the Obligation all licensed suppliers are obliged to supply a specified % of renewables, or at least hold Renewable Obligations Certificates (ROCs) equal to that percentage. ROCs can be traded independently of the electricity to which they relate.
 - **The Climate Change Levy** - Levy Exemption Certificates (LECs) are issued to all generators of electricity from exempted sources. The LECs, which are valued at £4.30/MWh, stay with the electricity and cannot be traded separately. Business customers, who will avoid having to pay the levy, will need to pay a premium of up to £4.30/MWh for electricity from levy exempted sources.

British Energy's position

- British Energy supports mechanisms that value the environmental benefits of low carbon technologies. However, these should treat all technologies equally, and consequently also recognise the benefits of nuclear generation.