

# Global**Renewable**Hub

## Green Tariffs



# RenewableBuyersGuide: Green Tariffs

There are different ways for companies to source cleaner forms of energy. Here we look at what companies get for signing up to a green energy tariff.

## How do they work?

Many electricity suppliers offer a Green Tariff, often in response to regulation that requires a certain proportion of their energy to come from renewable sources.

The supplier does not have to actually produce any renewable energy to be able to offer a Green Tariff. Instead, under the Green Tariff, it can buy certificates equivalent to the renewable energy it is contracted to supply.

This means the electricity being purchased through a green tariff should be matched by equivalent purchases of renewable energy. If a Green Tariff states that supply is 100% renewable, this should mean that while the utility is sourcing power through a mix of fossil-fuel and renewable power generation, they are buying at least as much renewable power as they are providing through Green Tariffs.



***Green Tariffs enable utilities to take the first step to producing renewable power.***



In a market where government regulation requires utilities to source a proportion of electricity from renewable sources, it is difficult to identify whether any additional renewable capacity is being funded via a Green Tariff.

Green Tariffs are offered to companies by power suppliers who have enhanced their green credentials by buying certificates from the wholesale market. The utility isn't required to be generating renewable power directly.

## Green Tariffs: summary

- May offer a good first step in procuring cleaner energy
- Can be a good option for less energy intensive businesses

## Green Tariffs



**1.** Retail service providers or local utilities (sellers) procure Green Certificates, or may enter into a PPA with a renewable on behalf of corporate buyers and other consumers.

**2.** This ensures a sufficient supply of renewable power to cover demand from corporate buyers through Green Tariff agreements.

There is often no association between the buyer and the renewable power generator.

*Note: There may be differences to the structure outlined above, depending on the location and market.*

## What are the benefits of Green Tariffs?

A company can agree to sign-up to a traditional supply agreement where the supplier affirms that all power supplied will be 'green'.

The customer does not have to do anything except sign up for the Green Tariff. In order to achieve greenness, a supplier will source Green Certificates from the wholesale market to cover their equivalent customer consumption. The utility may also enter into a PPA with a renewable power generator, on behalf of customers.

Creating a market for Green Certificates puts a floor under demand and creates some certainty for clean power producers.

Green Tariffs enable utilities to take the first step to producing renewable energy. They also help to meet demand from customers for low-carbon electricity.

A Green Tariff may be a good option for less energy-intensive businesses, or a first step to striking a certificate-only deal or a PPA with a renewable energy generator.

### Green Tariffs: key points

Understanding what a Green Tariff offers can help identify whether this is the right fit for your business:

- **Unless the supplier buys only renewable power, then it is impossible to say that your electricity is 100% renewable.**
- **Given that many tariffs are only there in response to government regulations, there are also question marks over whether they encourage additional renewable power capacity.**
- **Because the supplier is buying certificates on the open market, there is no ability to fix energy costs and no transparency over the source of the power.**