

Report to: Lead Member for Resources and Climate Change

Date of meeting: 15 October 2024

By: Chief Operating Officer

Title: The review of purchasing Renewable Energy Guarantees of Origin (REGOs)

Purpose: To consider whether East Sussex County Council should continue to purchase Renewable Energy Guarantees of Origin certificates (REGOs).

RECOMMENDATIONS

The Lead Member for Resources and Climate Change is recommended to:

- 1) Agree that East Sussex County Council ceases the purchase of Renewable Energy Guarantees of Origin certificates from 1 April 2025; and
 - 2) Delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the above recommendation.
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1 Background

1.1 East Sussex County Council (ESCC) procures renewable energy as outlined in the Lead Member's decision of 20 September 2019 ([Agenda for Lead Member for Resources and Climate Change on Friday, 20th September, 2019, 11.00 am | East Sussex County Council](#)).

1.2 Renewable Energy Guarantees of Origin certificates (REGOs) are purchased in order to provide 100% renewable electricity to corporate buildings and for street lighting. Schools have been offered the opportunity to purchase REGOs, however none have chosen to do so.

1.3 The current contract for the provision of REGOs expires on 31 March 2025 and a decision is therefore required from ESCC on whether to continue purchasing REGOs.

2 Supporting information

2.1 There are four concerns with REGOs. These are set out below.

2.2 The REGO scheme was set up with the intention of making the electricity market more transparent, by allowing customers to see what proportion of their energy originates from renewable sources. However, in practice, REGO certificates are able to be sold separately ('unbundled') from the energy itself. This enables energy suppliers to purchase energy from the wholesale market (as a mix of non-renewable and clean energy) and then acquire enough certificates from companies that produce green electricity to label all of what they supply as 'green'. It is not considered to be good practice for organisations to represent the purchase of REGOs as a contribution to reducing their corporate carbon emissions. For example, current guidance issued by the Department for Energy security and Net Zero requests that Scope 2 electricity emissions are reported utilising the location-based grid average emissions factors [Greenhouse gas reporting: conversion factors 2024 - GOV.UK \(www.gov.uk\)](#) therefore the cost of REGOs is incurred for no clear benefit.

2.3 In practice, all of us use fossil-fuel based electricity at certain points in our day-to-day life if consuming energy from the national grid, even if we have purchased a green electricity tariff. This is because all the electricity generated by different sources across the country (gas, coal, solar, wind etc.) goes into the same central system, which is then distributed collectively to customers. At points of high demand, or when the sun is not shining and the wind is not blowing, the system relies on fossil fuel sources. The REGO system simply says that any fossil fuel electricity used during these times will be 'matched' to a REGO certificate for the output from a renewable supply such as a wind farm that may have taken place at any time during the preceding 12 months.

2.4 REGOs are purchased from existing suppliers of renewable electricity, so paying for REGOs does not automatically increase the investment in renewable energy generation. In other words, there is no 'additionality' in renewable energy available as a result of purchasing a REGO.

2.5 The price of REGOs has increased significantly in the last few years, from about 20p per certificate a couple of years ago to a record high of £20 in October 2023 and continue to trade as such. At current prices this would add about 3.5% to the Council's unit cost of electricity at a time when the Council is under significant financial constraints.

2.6 More detailed financial information is set out in an exempt report later on in the agenda.

3 Conclusion and reasons for recommendations

3.1 As set out in Section 2 above, there is both a financial impact and a reputational risk to ESCC in continuing to purchase REGOs, with no clear benefit from doing so. Consequently, the Lead Member for Resources and Climate Change is recommended to:

- 1) Agree that East Sussex County Council ceases the purchase of Renewable Energy Guarantees of Origin certificates from the 1 April 2025; and
- 2) Delegate authority to the Chief Operating Officer to take all actions necessary to give effect to the above recommendation.

ROS PARKER

Chief Operating Officer

Contact Officers:

Andy Arnold

Tel: 07803 899490

Andy.arnold@eastsussex.gov.uk

Andrea Shearing

Andrea.shearing@eastsussex.gov.uk

Tel: 07552 286716

LOCAL MEMBER

All

BACKGROUND DOCUMENTS

None