

Citizens' Energy Forum

“Consumer Engagement” Working Group

Final Report

Working Group Leader: CEER

December 2021

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1. Background

1.1. Mandate from the Citizens' Energy Forum

The Citizens' Energy Forum was established by the European Commission in 2008 and meets annually to explore the consumers' perspective and role in the EU energy market, feeding into the work of the European Commission in the energy and consumer policy areas.

In 2020, the 12th Citizens' Energy Forum called on the European Commission to establish three dedicated roundtables to discuss, prepare and identify three key issues for the 2021 Citizens' Energy Forum: consumer engagement, consumer protection and just transition. The European Commission's Directorate-General for Energy (DG ENER) approached key stakeholders to organise these roundtables on its behalf, inviting the Council of European Energy Regulators (CEER) to host the DG ENER Working Group on Consumer Engagement.

The present report provides a summary of the multi-stakeholder discussions that took place in the Working Group on Consumer Engagement during 2021, as input for an interactive and in-depth debate during the 13th Citizens' Energy Forum.

1.2. Mission of DG ENER Working Group on Consumer Engagement

Consumer engagement refers to promoting, facilitating and enabling consumers' awareness of and interaction with the energy market, where this energy comes from and what impact their personal energy consumption has on the environment. Armed with this understanding, engaged and well-informed consumers can better contribute to delivering the energy transition, and help to increase energy efficiency, shift to true renewables (away from fossil fuels) and increase their cost-effective integration in the energy system through demand-side flexibility and avoid unnecessary energy consumption.

In a broader sense, this **engagement results from the reliability, accuracy and objectivity of the body of information consumers can access and use regarding their electricity, gas and heating consumption** (e.g. bills and billing information, labelling systems, comparison tools, etc).

With this in mind, the aim of the WG is to:

- **Explore meaningful and effective ways to engage consumers** with their own energy behaviour as well as possible alternative behaviours they can take that benefit their finances and also the energy system overall.
- **Focus on concrete policies and measures with an impact on consumers' ability to trust in and engage with the energy market**, in particular green offers and greenwashing in the energy sector as an obstacle to building trust.
- **Develop a summary of discussions, highlighting key findings and recommendations**, where appropriate, and noting good – and misleading – practices on traceability and reliability of “green” information provided to energy consumers, as well as on ways to encourage and facilitate consumers to make effective use of such information.

To promote an open and diverse discussion, reflecting the various perspectives of society and the energy sector, the Working Group included representatives from a wide range of actors:

- **Consumer/Demand side:** The European Consumer Organisation (BEUC), International Union of Property Owners (UIPI), International Union of Tenants (IUT), REScoop → sharing the experiences of and persisting challenges for consumers
- **Distribution, supply and services side:** Eurogas, EuroHeat & Power, Eurelectric, E.DSO, CEDEC, SmartEn, several suppliers (Enercoop, Enel, Total Energies, Engie) → sharing their experience with the implementation of the Clean Energy Package and policy gaps for gas(es)
- **Policy makers, local authorities, regulators, NGOs, academia, think tanks:** European Commission, Codema, Energy Cities, CEER, NEON (energy ombudsmen), AIB, EKOenergy, European Climate Foundation, Florence School of Regulation, Loughborough University and CERRE, E3G → sharing their experience of policy considerations and choices

1.3. Guarantees of origin and green offers as consumer engagement tools

As regards decarbonisation and the “greening and cleaning” of our energy system, a **trustworthy green offer system (based on Guarantees of Origin or other verified tracking mechanisms) is a first requirement for engagement**. On the other hand, by better understanding what drives consumer energy choices and behaviour, including where consumers get their information from, policy and decision makers can make targeted decisions

and influence consumers to choose more sustainably/according to the energy and climate objectives to be achieved.

Ultimately, the overall policy framework needs to be designed to provide for such choices. In other words, **decarbonisation is not simply about individual consumer choice, rather it requires a holistic approach to the energy system which enables sustainable choices.** This includes, of course, policies and regulations which clearly put renewables to the fore and which price CO₂ emissions properly, to internalise environmental and climate pollution and, in turn, provide a level playing field for green offers.

The recast Electricity Directive (EU) 2019/944 foresees regulatory oversight of the information provided to consumers, including as regards the energy mix and CO₂ emissions (Annex I). The ongoing review of the Energy Efficiency Directive COM(2021)558 looks into the quality and frequency of information provided to customers for district heating, cooling and domestic hot water (Article 17). The Renewables Directive (EU) 2018/2001 addresses guarantees of origin, including for green and low-carbon gases and hydrogen (Article 19).

2. Working Group Discussions

By promoting a multi-stakeholder discussion and gathering experiences and knowledge of good – and misleading – practices, the WG hopes to contribute to identifying ways of strengthening the capacity of all relevant actors in this respect.

2.1. Issues addressed during the 1st Roundtable, 7 July 2021

The 1st Roundtable on “**Consumer Engagement and Green Offers, including misleading practices (“greenwashing”)**” took place online on 7 July 2021. Stakeholders from a wide cross-section of the energy sector were invited to discuss this issue and identify relevant topics for the forthcoming years. The roundtable brought together representatives for consumers, energy suppliers and distributors, guarantee of origin and labelling bodies, policy makers and regulators, as well as academia, think tanks and NGOs.

The roundtable began with welcoming remarks by Ms. Adela Tesarova, Head of Unit B.1, DG ENER and an introduction of the WG’s overall scope by Natalie McCoy and Jana Haasová, Co-Chairs of CEER’s Customers and Retail Markets Working Group.

To set the scene for the interactive discussion session (in breakout rooms), two opening presentations were provided by:

- Raphael Hanoteaux, Senior Policy Advisor on Gas Politics, E3G (leading environmental think tank)
- Liesbeth Switten, Secretary General, AIB - Association of Issuing Bodies (representing the competent bodies, authorised by governments, to administer energy certificate systems)

*During his presentation, **Mr. Raphael Hanoteaux, Senior Policy Advisor on Gas Politics, E3G**, outlined the impact of the energy transition on how policies relate to consumers, including the design of gas markets. He noted the need to evolve into a market for services, rather than simply energy, allowing various energy vectors to compete with each other. He underlined the need to build trust to ensure consumer engagement and noted the uncertainties regarding the future of gas, for example the development of hydrogen markets.*

As regards green offers, he observed a possible risk of greenwashing when talking about blending gases; for example the percentage of blending of hydrogen with gas methane fuel may be low, with a risk of greenwashing statements that refer to having “green hydrogen”.

Mr. Hanoteaux illustrated several possible solutions to limit this risk:

- *Clear framework for hydrogen labelling – ensure that they deliver emission savings from their inception;*
- *Well-designed regime which focuses on green hydrogen (rather than low-carbon fossil-based hydrogen);*
- *A chain of custody system that traces hydrogen production;*
- *Inclusion of transparent carbon intensity information in the system for guarantees of origin (GOs),*

Mrs. Liesbeth Switten, Secretary General, AIB, explained the legal framework for energy disclosure and guarantees of origin, as well as the European Energy Certificate System (EECS) managed by the AIB for 28 countries and 31 issuing bodies for guarantees of origin. Whilst stressing that green electricity is always backed by guarantees of origin, she noted the importance of common standards and procedures to ensure the accuracy of the certificates and the subsequent disclosure to consumers. She identified space for further improvement in the system, namely due to differences between national markets, impact of related legislation, infrastructure/technology differences, lack of precision and varying interpretation in the application of the legal framework.

The electricity disclosure rules in Annex I of the recast Electricity Directive (EU) 2019/944 oblige electricity suppliers to inform on their invoices on the mix of energy sources of the energy they supplied. This is to be based on cancelled guarantees of origin, not on generation statistics which could lead to double counting. The Directive also foresees that Member States have to foresee supervision of suppliers' compliance. Mrs. Switten noted that practice shows that active supervision significantly increases the quality of the information consumers receive regarding the origin of their consumed energy. However, supervisory bodies for disclosure usually receive too few resources to fully focus on this task.

Further, Mrs Switten observed that requirements for suppliers to disclose the origin of energy, and supervision of this obligation, is currently missing for gas.

The discussions during the roundtable focused on the following questions:

- 1. How should we consider green offers across the energy spectrum?** E.g. charging infrastructure for electric vehicles, centralised heating and cooling systems, (future) hydrogen supply and the link between green electricity produced from green gases?
- 2. What specific information needs to be provided to consumers regarding green offers** (e.g. the supplier energy mix, the product energy mix and CO2 emissions information in the energy bills)? **How is energy disclosure and supported green energy information created and communicated to consumers?**
- 3. How can the reliability of the information provided be ensured?** What challenges exist? How to recognise **common greenwashing tactics?**

4. To what extent **do the energy source requirements in the Clean Energy Package contribute to promoting consumer trust and engagement** in the sector? What are the **gaps and commonalities** between national situations (if available, good practice examples)? Which **measures would be needed for district heating/gas consumers?**
5. How can **tracking mechanisms, such as guarantees of origin and green certificates, contribute to enhancing consumer trust and engagement?** What is still missing and what measures are needed to **ensure their effectiveness?**
6. The European legal framework allows Member States a **degree of discretion at national level** as regards GOs and disclosure of energy source, and the roles and responsibilities of competent authorities. Do you see more **opportunities or challenges for consumers** (and stakeholders) in this diversity of systems? **Could a Union-based energy label facilitate this?**

2.2. Issues addressed during the 2nd Roundtable, 7 October 2021

The 2nd Roundtable focused on **“Practical approaches to promoting consumer trust and engagement in green energy markets”** by showcasing initiatives across different sectors designed to help consumers play an active role in the energy transition and better adapt to emerging green and sustainable markets.

The roundtable began with welcoming remarks by Mr. Massimo Serpieri, Team Leader Retail market legal issues, Unit B.1, DG ENER and a brief recap and session introduction by Natalie McCoy and Jana Haasová, Co-Chairs of CEER’s Customers and Retail Markets Working Group.

The session included breakout rooms where stakeholders gathered to discuss their views on consumer trust and ways to communicate key information to different types of consumers.

To set the scene for the discussion session, two opening presentations were provided by:

- Stefan Storcksdieck, Deputy Head of the Institute of Nutritional Behaviour (MRI)
- Martin Salamon, Danish Consumer Council

Mr. Stefan Storcksdieck, Deputy Head of the Institute of Nutritional Behaviour (MRI), provided the results of an analysis of different “front of package” (FOP) labels for food nutrition information. On behalf of the German Food and Agriculture Ministry, the MRI assessed several existing schemes to prepare the introduction of a scheme in Germany.

The study considered different elements of FOP programmes, ranging from the process for its development to the scientific basis of the label and its comparability with the same food group to the impact of the scheme on purchasing decisions, product composition and consumers’ nutrient intake.

Mr. Storcksdieck illustrated the variety of approaches and schemes available and outlined the key conclusions from the MRI’s analysis as well as a survey of German consumers. The MRI report found that FOP schemes should be easy-to-understand messages for a broad audience, well-differentiated assessment of composition for easier distinction and uniform reference base for indicating content. The consumer survey revealed a preference among German consumers for the Nutri-Score® scheme across different age groups and demographic factors (education, shopping, concern for a healthy diet, obesity, etc.), with a high majority of those surveyed considering it is quick and intuitive to understand; uses unambiguous colours or symbols; shows at a glance whether the product contributes to a healthy diet; is graphically simple; aids in comparing different products; and is informative.

During his presentation, **Mr. Martin Salamon, from the Danish Consumer Council, Member of BEUC,** shared a case study from Denmark which dealt with consumers’ willingness to buy “green”. He provided brief statistics to illustrate that whilst consumers’ environmental awareness is increasing, they do not find the information they need.

In Denmark, the introduction of a simplified reliable energy label solved this issue by providing “front of package” information about the source of energy. Moreover, green offers are integrated in the existing comparison tools. The enforcement of green claims rules are overseen by Consumer Ombudsman, who can also issue fines. Mr. Salamon outlined several proposals to facilitate a paradigm shift at EU level, including the possibility to require pre-approval procedures for all green claims, a blacklist for unsubstantiated claims and clear information (full disclosure) on energy bills and labels, guidance for consumers (such as independent sustainability rankings and comparison tools) and effective market surveillance.

The discussions during the roundtable focused on the three key aspects of building consumer trust and communicating with different types of consumers:

1. Identifying key information

- How do different consumers, with varying levels of engagement, engage with the markets and what are their needs?
- What information should be considered essential and how can we engage consumers in the energy transition?
- Which kind of information would benefit from being presented to consumers in an easy-to-read label?

2. Communicating key information

- How to communicate information as simply and clearly as possible?
- How to guarantee background/additional information?

3. Ensuring trust in the information provided

- How to ensure trust in labels?
- Public vs private labels?
- How to enforce accurate claims and labelling?
- How to deal with comments or complaints of labels?

In addition and drawing from examples such as the Nutri-Score® labelling system in the food sector, presented by Mr. Storcksdieck, participants discussed whether similar systems could be applied in the energy sector and what type of information could be featured.

- Should scoring systems, such as Nutri-Score® (food sector) be implemented in the energy sector? If so, what amendments would be needed?
 - What should an Energy Score be based on (e.g. price, percentage of renewable energy, other criteria)?
 - Who would decide on the type and list of information to take into account in the score?
 - Who would set a score for a product or actor?
 - How frequently would this score be updated? Freshness vs accuracy
 - Would it be a European or National definition? And what about the score of a supplier active in several Member States?

3. Key considerations identified by the Working Group

During the discussions, participants identified several fields of interest. A core issue centred around the need to **distinguish between technical and verified tracking mechanisms (GOs) and information and communication tools for consumers (labels, comparison tools, etc.)**.

- **Information.**

Consumer **awareness of green offers is still low**. Moreover, green offers are still a small share of total offers in the retail market. Therefore, it is very **important to provide consumers with understandable and simple information** on green energy sources; on the underlying reliability of green offers, which is guaranteed by guarantee of origin rules in European legislation; and on the affordability of different sustainable technologies. As noted below, different **communication tools can be used to provide transparency, comparability and clarity** for consumers regarding green offers. In addition, it is relevant to **support and educate consumers on using the information** they receive, and to understand their behaviour to provide this support effectively. **Oversight of marketing practices and legislation on pre-contractual information** (e.g. criteria for using green claims) are other key aspects in ensuring accurate information for consumers.

- **Disclosure obligations**

The legal framework is in place for guaranteeing the origin of renewable electricity and is effective as the tracking mechanism for information disclosed on the origin of electricity. Nevertheless, **implementation/transposition in Member States is not yet complete**. Active supervision (**monitoring and enforcement**) is **crucial to increase the quality of information consumers receive, based on the guarantees of origin**. Competent authorities need adequate resources and powers to do so. A corresponding legal **framework is not in place for renewable, low-carbon and decarbonised gases (yet), and should be established**. Meanwhile, there is a debate on the issue of establishing a full disclosure system for all sources of energy, be they renewable or not.

- **Design of guarantees of origin**

The **system of GOs is robust, verifiable and functioning already for electricity**. A comparable system for renewable, low-carbon and decarbonised gases is being developed. In this field, there is a **need for clear definitions (including for hydrogen) and new set-ups**. GOs are an effective tool to support the green transition by ensuring that consumers can confidently choose sustainable energy offers. In that regard, the accounting period and frequency of GOs can affect consumers' understanding of where their energy is coming from and what their carbon emissions are at any given moment and in a dynamic way, supporting a time-dependent and flexible consumption of renewable electricity (as opposed to 1 to 2-year-old energy mix references). As identified by AIB in their presentation, further consistency and operational improvements, such as common standards and procedures, are also needed to ensure the accuracy of the certificates and the subsequent disclosure to consumers.

- **Consumer engagement**

Building and keeping consumer trust is the linchpin; it is vital for engaging consumers and promoting an uptake of green offers. This goes beyond the issue of disclosure of origins. It is important to **recognise that the energy price is still the key driver for consumer decisions**. In this regard, how can energy labels help to engage consumers and encourage their participation in the energy transition?

- **Keep it simple**

When developing systems to communicate with and inform consumers about their energy, the discussions reinforced the **need for simplicity and clear aims in terms of the information displayed**. For example, in a **potential “scoring” system**, factors such as the type of energy (green or not green), the origin (locally produced energy) and price components should be incorporated, although the transition to a greener energy system and the diversity of consumer preferences and interests could prove to be a challenge in defining a comprehensive but effective scoring system.

- **Clear definitions**

Linked to communication and information issues, the question of the **language and terminology** being used emerged as an important issue. What is “green” and what does kWh mean? **Use of technical terms can become a barrier to consumers** engaging with and understanding their bills and with the energy market more generally. As new technologies emerge, including low-carbon and decarbonised gases, it becomes increasingly important to **establish common definitions for all forms of energy**. Similarly, for consumers to engage in energy markets that offer a range of services and choices, they need clear and simple language, which makes it possible to compare offers and services.

- **Innovation and communication tools**

Whilst bills are the longstanding interface for energy consumers, practices are changing. **Innovation and new technologies open up the possibility of different types of interaction with consumers**, for example dedicated apps or integration of energy information in existing tools, such as Alexa, smart phones, etc. The **role of reliable comparison tools as a source of information and choice for consumers** was also highlighted. Meanwhile, the specificities of the heating and cooling sector were underlined – as often the final user is not the same as the contracted customer, recalling the more indirect relationship of these energy consumers vis-à-vis energy providers.

- **Oversight and enforcement**

Participants underlined the importance of **ensuring the reliability and credibility of information provided to consumers**. In this regard, and given the **importance of accurate, up-to-date and complete information** for consumers to make effective energy choices, the question arose whether comparison tools should be institutional or subject to regulatory oversight. More broadly, **enforcement of existing rules and requirements is essential and can be improved**. **Peer-learning and cooperation** between stakeholders were mentioned as channels to promote better application of already existing measures and to reinforce consumers trust in labels, for example. The possibility of establishing **pre-approval procedures** for all green claims and labels was also raised.

- **Insights from other sectors**

Other sectors may provide some **interesting lessons regarding informing consumers in a simple way** using dedicated labelling tools. A recent analysis of the experience of labelling nutritional information on “front of package” (FOP) food products revealed some findings regarding the types of approaches that can help consumers understand nutrition labelling, for example **easy-to-understand messages for a broad audience; well-differentiated assessment of the nutritional composition** for easier distinction; and **uniform reference base for indicating energy and nutrient content**.

Furthermore, a comparison of different types of food nutrition labels showed that **consumers respond to evaluative labelling schemes** (as opposed to reductive ones) and to **colour-coding with or without grading/summary indicator**, such as the “Nutri-score”® label. In addition, the current EU framework has resulted in a diversity of formats and approaches to FOP labelling, which may lead to proposals for further harmonisation at EU level to facilitate consumer use and understanding. Overall, the experience of the food sector reinforces the importance of providing consumers with clear and simple information. Similarly, it underlines the **significance of the “buying moment” (i.e. pre-contractual information) for providing consumers with useful information to support their decision-making**.

4. Conclusion

Overall, the discussions in the WG on Consumer Engagement revealed the **importance of fully implementing and reinforcing the use of policy tools that are already in place**, as a first step towards building consumer trust in energy markets, generally, and green offers, specifically. Also, it is important to **differentiate clearly between formal and verified mechanisms and procedures under the responsibility of market actors** (producers, suppliers, service providers) and the **channels and tools used to communicate with consumers**.

Participants identified the **significance of enhanced implementation and enforcement of the current rules and framework**. As noted in the 1st Roundtable, active supervision (monitoring, enforcement) is important to increase the quality of information consumers receive. **Competent authorities need adequate resources and powers to do so**. The **relevance of comparison tools** was also noted, as well as the importance of improving their coverage, simplicity, clarity and reliability.

The discussions further revealed a range of views regarding **how to improve the system of guarantees of origin**, including aspects such as construction of a robust system for renewable, decarbonised and low-carbon gases, introduction of additional qualities in the GOs (e.g. real time, geographic origin, specific renewable energy source(s) and electricity production technology), additionality (linking GOs to additional investments in green generation) and full disclosure (foreseeing GOs for all types of energy, in addition to renewable generation).

The European Commission noted the relevance of its imminent **proposals on empowering consumers in the green transition** and **substantiating environmental (green) claims**, where issues related to labelling may be addressed. Understanding consumers, by making use of **behaviour analysis**, was also highlighted. Importantly, the discussions in the WG reinforce the importance of **complementing the provision of information with the provision of support and advice to consumers**.

In summary, the discussions by the Working Group on Consumer Engagement revealed several important issues worthy of further discussion and reflection by policy makers and energy market participants, including:

- Recognising the **different purposes of existing tracking mechanisms** (i.e. technical calculation of generation sources provided by GOs) and **communication tools** (i.e. labels, comparison tools...), whilst ensuring the accuracy of those processes and of the information provided to consumers, respectively;
- Establishing **simple, reliable and effective mechanisms to communicate with consumers**, drawing from the experience of other sectors (e.g. Nutri-Score®), existing (known) energy labels and taking into account national differences;
- Identifying **measures to improve the functioning and robustness of guarantees of origin**, including questions regarding the qualities to be included, additionality and full disclosure;
- Setting up a robust system for **guarantees of origin for green gases, including clear definitions for green gases and rules for disclosure of their origin**, particularly in a context of blending of natural gas and hydrogen;

- Ensuring that tools and mechanisms to engage consumers are **transparent, accurate and simple, including the information presented in comparison tools, labels, pre-contractual and marketing material.**