

CLIMATE CHANGE

putting the customer first

Centrica, the company that owns British Gas, is working with its customers to reduce their household carbon emissions through energy-efficiency programmes and low-carbon products and services. The company is also heavily involved in renewable energy generation

As an integrated energy group, Centrica – owner of British Gas and operator of gas and electricity assets – knows that global warming is a huge challenge to its business. But as an energy provider to 30 million customers worldwide, the company has come to believe that it can use its influence and expertise to deliver both environmental and commercial benefits.

With around 16 million customer accounts and more than 8500 engineers working in the field, British Gas is the largest energy supplier in the UK. This presents the company with an opportunity not only to offer low-carbon products and services but also to encourage consumers to make behavioural changes that will cut both their carbon footprint and their energy bills.

Much of Centrica’s energy efficiency work with customers is carried out under the UK government’s Energy Efficiency Commitment (EEC), which requires energy suppliers to invest in domestic energy efficiency improvements. However, Centrica is going well beyond the provisions of the EEC by exploring innovative ways of involving its customers and changing how they think about energy efficiency.

As part of this effort, the group has set up a new business unit to lead its low carbon strategy – British Gas New Energy – which offers energy efficient products such as loft and cavity wall insulation, helps customers measure their carbon footprint and energy use, and invests in fuel-cell powered boilers and other new technologies.

An energy company that is actively encouraging consumers to use less of its core products – gas and electricity – might reasonably be considered to be working against its commercial interests. But energy consumption in Centrica’s principal markets is falling – a trend that is likely to continue as global warming

the company

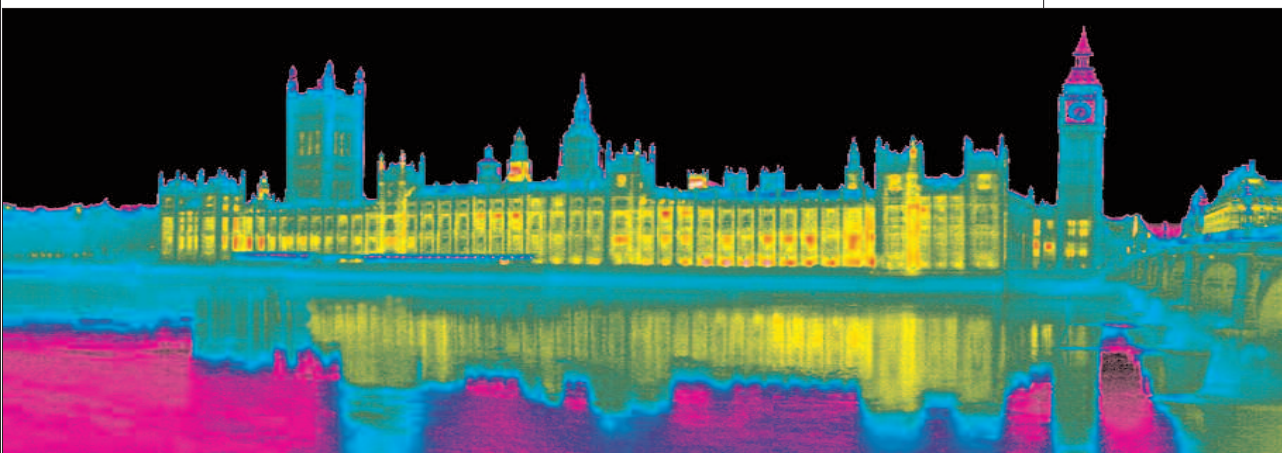
Centrica has around 30 million customer relationships in the UK, Europe and North America. With a turnover last year of more than £16billion (\$32bn), the group owns British Gas, Centrica Energy (both UK), SPE (Belgium), Oxxio (Netherlands) and Direct Energy (North America). It:

- is the largest supplier of green electricity to domestic customers in the Britain
- contributed £7.4m to community initiatives during 2006
- began building the UK’s largest offshore wind farm in March 2007 in the Greater Wash in East Anglia
- has a board corporate responsibility committee chaired by an independent non-executive director
- recently announced its intention to build the UK’s first integrated carbon capture and storage coal-fired power station
- is a member of the UK Corporate Leaders Group on Climate Change
- is one of the largest traders of carbon under the European Union Emissions Trading Scheme

causes average temperatures to increase – and Centrica recognises the opportunity to play a major role in the delivery of a low carbon economy.

Besides, industry estimates indicate that by providing energy efficiency advice and selling goods such as solar heating panels and energy efficient boilers, companies such as Centrica can earn billions of pounds a year in the future as well as help to tackle climate change. ‘Our view is that climate change is happening and human activity is contributing to it,’ says Gearóid Lane, managing director of British Gas New Energy. ‘As an energy company I believe we have

■ carbon footprint: a heat image of the Houses of Parliament produced by British Gas as part of its efforts to educate customers about heat loss from buildings



a responsibility to adopt a leadership position. We're tackling climate change by minimizing our own operational emissions, maintaining the low carbon intensity of the electricity we produce and helping our customers and employees to reduce their carbon footprint.' Through its council tax rebate scheme, for example, British Gas works in partnership with district councils across the country to offer discounts of up to £100 (\$200) on cavity wall insulation. After a successful pilot, the scheme has been adopted by 55 local authorities, covering around 2.5 million households. The company is also trialling a scheme that offers householders up to £500 off the cost of installing solar technology.

Advice and auditing is another area that can lead to huge energy savings. British Gas customers are encouraged to complete an Energy Savers Report – a domestic audit that highlights wasteful energy use in the home and suggests remedies. More than 1.5 million householders did so in 2006 and this free service is now available to every household in the country.

In addition, the company's energy advice helpline dispenses free guidance on how to cut bills, and a team of 'community energy advisers' works with local authorities and housing associations to promote energy efficiency and generate referrals to energy efficiency grant schemes.

**in 2006
British Gas
installed 13m
energy
efficiency
products in
six million
households**

Changing habits is one thing, but the company acknowledges that consumers also need to be offered cost-effective ways of reducing their footprint. Last year British Gas spent £93million on subsidizing more than 13 million individual energy efficiency products, such as low energy light bulbs, in more than six million households. This amounted to an equivalent lifetime carbon saving of one million tonnes and led to total energy savings equivalent to £41m.

British Gas has also teamed up with other companies, such as the electrical retailer Currys and DIY chain B&Q, to promote low-cost energy efficiency products. Thanks to direct subsidies from British Gas, customers at these stores receive savings on a range of products, including loft insulation and low energy lighting.

But the company recognizes the importance of influencing the behaviour of the next generation of customers as well as existing ones. Its 'Think Energy' online educational programme encourages young people to be aware of the environmental impact of the energy they consume. Based on the national curriculum, it has been developed for children aged from seven to 18, with downloads available from a recently revamped website that features cartoon characters such as Bella Buzz. Since the programme began four years ago, just over half of all UK schools have used its services.

British Gas's main website also provides

information and practical tips on saving energy in the home, offers discounts on energy-saving measures, and has links to the latest 'green gadgets' that can be bought online, such as solar powered iPod and mobile phone chargers. If consumers want to take things a step further, the company's 'Climate Aware' initiative gives them an opportunity to offset their household carbon emissions by making a payment to Climate Care, a carbon offset trust.

The company is also helping its hundreds of thousands of business customers to improve their energy efficiency and environmental performance. British Gas Business has stepped up its programme of switching businesses to 'smart', or automated, metering, which removes the need for regular meter reader visits or estimated bills and allows companies to manage energy consumption more effectively because they can see, in real time, how much they are consuming. Already BGB has installed more than 6000 smart meters, mostly in small companies, and all new gas connections at businesses will soon have smart meters fitted as a matter of course. BGB also provides renewable electricity to several companies that are household names, among them BT and Vodafone.

Centrica acknowledges that all this work on the demand side has to be backed up by progress on the supply side too. It currently has the lowest carbon intensity of all the major UK power suppliers and is investing £750m in the development of renewable energy assets. It already has interests in two operational wind farms, and a third will begin operating this year. It is also constructing the UK's largest offshore wind farm in the Greater Wash, and is looking at innovative technology such as a proposed 'clean coal' power station at Teeside. With progress therefore being made on both the supply and demand side, the group hopes it is now beginning to play its part in the battle against climate change.

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Centrica demonstrates here how it is taking corporate responsibility to a new level – not only in how the company is approaching what it can do to reduce carbon emissions but what it can encourage its customers to do as well. This behavioural change entails using less energy, which will be good for the global community and will present a potential revenue stream for Centrica.

Some outstanding features:

- working with local authorities to promote and subsidize insulation
- partnering with other companies to promote cheaper energy products through subsidy of a range of items
- using a free online educational programme aimed at young people that encourages thinking about energy wastage
- installation of 'smart meters' that make it easier for businesses to assess and reduce their energy use.

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