



# Environmental Report 05

Good Energy's vision is to keep the world habitable by empowering individuals to reduce their environmental impact. The threat of Climate Change on the future of the planet is becoming increasingly apparent – action is required at all levels. Good Energy enables individuals and businesses to easily reduce their carbon footprint by switching to 100% renewable electricity.

This is Good Energy's third consecutive Environmental Report and represents the activities that have taken place throughout 2005. Good Energy is committed to maintaining open and transparent communications with all our stakeholders and our Environmental Report is one way in which we can demonstrate this.

Like all businesses operating in the energy sector, 2005 has been a testing year as the price became extremely volatile, particularly during the cold patches in November 2005. We have discovered that after the heady days of 2004 in which we saw tremendous growth, our targets for 2005 were often over ambitious and we have not been able to deliver on all of them.

The good news is that our business has continued to grow throughout 2005. During 2005, our customers managed to save 36.5 thousand tonnes of CO<sub>2</sub> – an increase of almost 50% on last year. Business growth has enabled us to source our energy from more microgeneration schemes than ever before. In particular, our Home Generation scheme has been a huge success and received widespread public acclaim.

As a company, our core values remain integral to all our business activities. We seek to empower individuals to take action through educating and promoting renewable energy to the public. We operate at all levels, engaging in discussions with opinion makers and the government whilst also operating at a local level with community groups and individuals.

We remain committed to continually improving Good Energy's environmental performance in all aspects of our work. We hope that you enjoy reading our report - we welcome your comments and feedback.



Juliet Davenport  
Chief Executive, Good Energy



**Reducing the impact of Climate Change is central to Good Energy's business. The devastation caused by Hurricane Katrina on New Orleans in August 2005 sent shock waves throughout the world – it has been viewed as direct evidence of Climate Change at work. At Good Energy we not only provide individuals with the opportunity to reduce their CO<sub>2</sub> emissions through switching to renewable electricity but we also believe that we have a responsibility to educate and empower individuals to act.**

Atmospheric greenhouse gases (including CO<sub>2</sub>) cause Climate Change. They create a blanket around the Earth and prevent the escape of heat from the sun back into the atmosphere. This phenomenon, sometimes referred to as the 'greenhouse effect', is similar to the warming effect found in a greenhouse. Traditionally the gases have kept the Earth's surface at a temperature that helps life flourish, but with increasing concentrations of gases more heat is trapped and so our climate is changing. Burning fossil fuels directly increases the amount of greenhouse gases created - human activities in industrialised countries are responsible for 95% of fossil fuel burning.

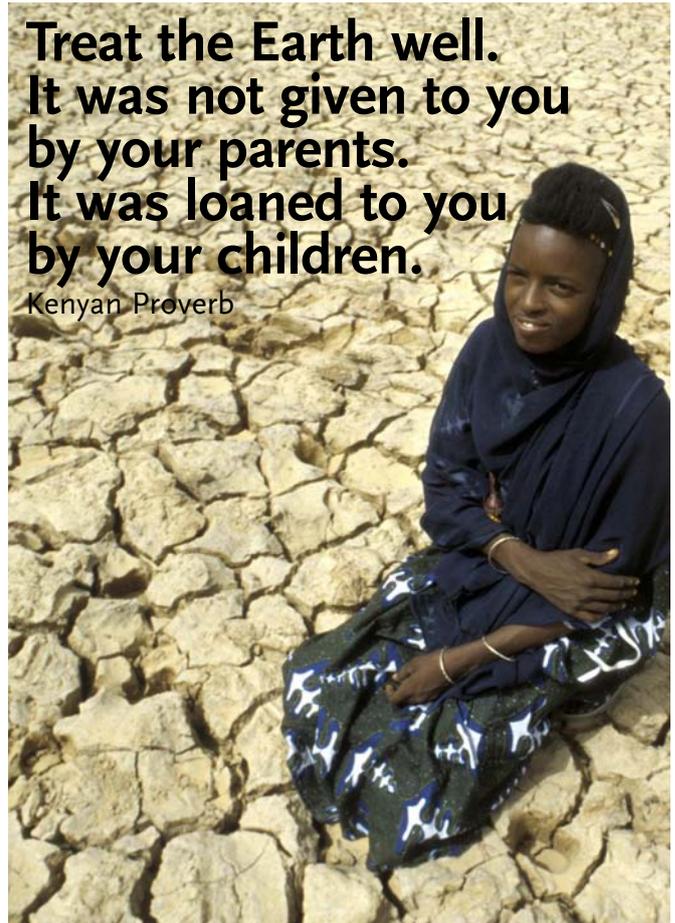
Climate Change is a phenomenon that was ignored for years, the reality too scary to contemplate. The Intergovernmental Panel on Climate Change (IPCC) has been warning of the existence of Climate Change since the early 1990s. They report that the Earth is warming faster than at any time in the past 10,000 years and the 1990s was the warmest decade on record (IPCC). According to NASA, 2005 was the warmest year in over a century (NASA).

It is the poorest countries in the world whose populations have suffered most – ironically these are the very countries that have contributed least to the cause of Climate Change. Many of those living in these countries are highly dependent on agriculture and natural disasters have a devastating impact on their

food security. They also impact on health with an increase in both water-borne diseases such as cholera and vector-borne diseases such as malaria. In the worse cases, a rise in sea levels could mean that low-lying countries such as Bangladesh and small island states disappear completely.

**Treat the Earth well.  
It was not given to you  
by your parents.  
It was loaned to you  
by your children.**

Kenyan Proverb



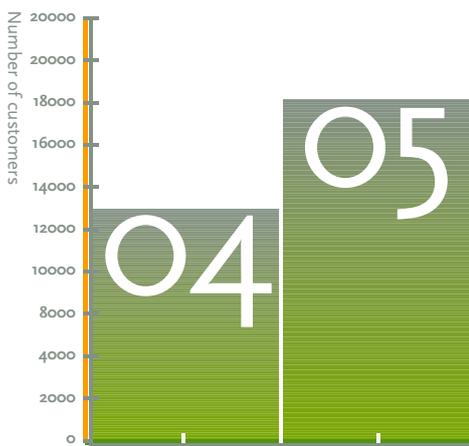
Source: Tearfund

Tearfund, a corporate partner of Good Energy, have reported in Africa that they are experiencing more and more periods of drought as well as more flash floods. Overall, rainfall is decreasing and unpredictable and the seasons are less distinct. This is affecting the availability of drinking water, agricultural cycles and crop yields.

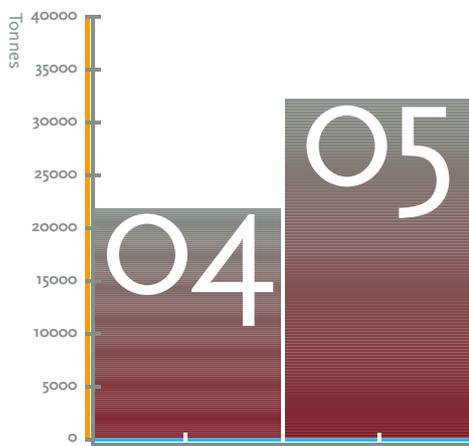
Good Energy estimates that the average household in the UK can save two tonnes of CO<sub>2</sub> emissions a year by switching their electricity to a renewable supply. This is one of the first, and easiest steps, for individuals to take to cut their impact on the environment.

During 2005, the Good Energy customer base continued to grow. By the end of 2005, Good Energy had 18,000 customers – an increase of 40% on 2004. The total amount of CO<sub>2</sub> saved by our customers during 2005 was 36.5 thousand tonnes\*.

Good Energy Customers



Good Energy CO<sub>2</sub> Customer Savings



Through switching to renewable electricity, our customers have made a positive step to reducing their own impact on Climate Change. The CO<sub>2</sub> saved is the equivalent to reducing the petrol consumption of 100 million car miles (Source: National Energy Foundation) – a great achievement.

Good Energy always seeks to communicate its message clearly and honestly, without misleading our customers or the public. It is therefore pleasing to report that there was only one complaint made against Good Energy by

the Advertising Standards Agency during 2005; the complaint was not upheld.

Good Energy is an energy supplier with a difference – we also believe that we have a responsibility to educate and inform our staff, our customers and the wider public about both the threat of Climate Change and the benefits of renewable energy. During 2005 we re-launched our website to update and improve the information and feel of the site. We continued to produce our quarterly newsletter. We also held an informative event to celebrate renewable technology at the Delabole Windfarm in Cornwall, attended by over 500 of our customers and their friends.

## 2005 Targets

- ✗ To achieve 26,000 customers. This proved to be an overambitious target – during 2005 we achieved 18,000 customers.
- ✓ To have no complaints upheld by the Advertising Standards Agency. Achieved.

## 2006 Targets

- To reduce 40,000 tonnes of emissions of CO<sub>2</sub> – equivalent to 20,000 customers
- To have no complaints upheld by the Advertising Standards Agency
- To hold the Wind Fair for the second consecutive year

\* Based on a consumption of 85,000 Mwh. National Energy Foundation CO<sub>2</sub> calculator ([www.nef.org.uk](http://www.nef.org.uk)) which incorporates DEFRA's conversion factors.



Good Energy Wind Fair 2005

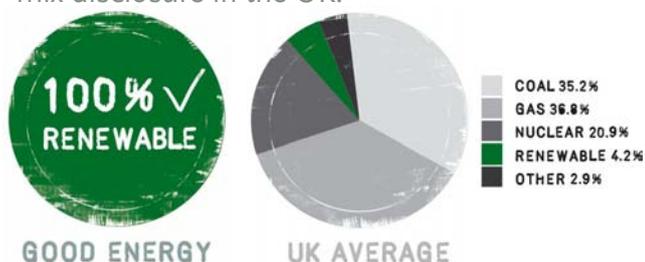
Our core product is the supply of 100% renewable energy.

Good Energy guarantees that for every unit of electricity supplied to our customers, an equivalent unit is bought by Good Energy from renewable sources and supplied to the grid. Good Energy is the only company in the UK that publishes an independent audit to provide assurance to our customers (see page 8 for the audit statement).

In 2005, Good Energy's renewable electricity was generated from the clean sustainable sources of **wind (92%)**, **running water (7%)** and **sun (1%)**.



In 2005, OFGEM introduced a requirement on all energy suppliers to provide information to their customers on the source of their energy supply, known as the 'Fuel Mix Disclosure'. Good Energy is particularly proud to be the only company which can demonstrate a 100% renewable fuel mix disclosure in the UK.



Good Energy believes that the conservation of biodiversity is fundamental to maintain a sustainable world. With this in mind, Good Energy has developed a procurement policy to ensure that all energy purchased by the company meets clear criteria. Good Energy will only purchase from producers that have proven records of environmental responsibility and that can demonstrate compliance with all regulatory requirements, both planning and environmental. Suppliers are expected to provide full environmental impact assessments of sound, visual and ecological effects as well as undertaking clear measures to reduce environmental impacts where required.

In addition, Good Energy has an active policy to purchase energy from independent renewable generators. In so doing, Good Energy provides a secure market for smaller-scale generation projects. Further information on Good Energy's Home Generation scheme is provided on page 6.

During 2005, Good Energy continued to support community initiatives. For Good Energy, community projects are particularly important as they involve working with many people to find a solution to reduce Climate Change, with benefits going back to the community direct. The company secured a contract to buy energy from Westmill Windfarm Co-operative, in partnership with Energy4All. New customers to Good Energy that quote Energy4All will be supplied with their own branded Energy4All supply once 1000 customers are reached. Good Energy's parent company also made an investment in Bro Dyfi Community Renewables, a group which is repowering a site in North Wales.

## 2005 Targets

- To ensure consumer rights are protected. Achieved – Good Energy has actively supported the fuel mix stamp.
- To provide a new product for community schemes. Achieved – own branded product for Energy4All customers launched.
- To develop sustainable energy products for the renewable heat markets. Good Energy was not able to launch a new product during 2005. The company remains committed to pursuing this target during 2006.

## 2006 Targets

- To support the introduction of a renewable electricity accreditation scheme. Consumers are confused by the different products that are available – an independent accreditation scheme is required.
- To support new technologies e.g. off-shore wind generation.
- To publish a procurement policy on biomass generation.
- To continue support for community schemes.
- To develop some initial concepts for sustainable energy products for the renewable heat market, for launch in 2007.



### Case-Study:

## New independent generation scheme

Mackies, the Scottish ice cream producer, installed one Vestas 850kW wind turbine in early 2005. Not only are they able to manufacture most of their ice cream using renewable electricity but they also sell their excess electricity to Good Energy at a good market rate. The project has been so successful that Mackies plan to install two further turbines, to the benefit of their manufacturing processes and also Good Energy customers.

Wind turbine at Mackies Ice Cream

Good Energy is committed to providing a market for small-scale renewable generation schemes. In 2004, Good Energy launched Home Generation. This scheme is for domestic or commercial customers who have small renewable generators (less than 10kW) and use most or all of the power they generate on site. Good Energy pays a standard rate for every unit of electricity generated, even those used onsite.

At the end of 2005, Good Energy had 184 Home Generator customers, including 19 off-grid customers. This represents a growth of nearly 50% during 2005. The scheme has received significant acclaim since its launch.

## Good Energy Home Generation schemes by energy source.

Wind (18.2%), Solar (79.2%) and Hydro (2.5%).



### Case-Study:

## The Varnoms

James and Marion Varnom live on a farm in Swaledale, North Yorkshire. They are a Good Energy off-grid microgeneration customer and here explain their motivation for joining the project.

“Our farmhouse is half a mile from the nearest grid connection and to be supplied with mains electricity was going to be very costly and would have involved unsightly pylons along a bridleway in the National Park. We had to move on from the old gas lighting and diesel generator and wind turbine generation was the best solution. Our proven 2.5KW wind turbine provides us with all the power we need. We were keen to support renewable energy and we truly feel our wind turbine pledges our allegiance. The added bonus is that we get paid for each unit of electricity we generate.”



Happy cows at the Varnom's farm

Good Energy believes that the future success of the renewable market is dependent on microgeneration. Good Energy is actively participating in government consultation groups. In addition, Juliet Davenport, Chief Executive of Good Energy, sits on Ofgem's Environmental Steering Group and ensures that issues related to microgeneration are heard.

## 2005 Targets

- ✘ To achieve a total of 400 Home Generation schemes by the end of 2005. This target proved to be over-ambitious.

## 2006 Targets

- To maintain a growth of 50% bringing the total to 275 Home Generation schemes.
- To launch Smart Generation, a scheme aimed for small generators (6 kW – 75kW)

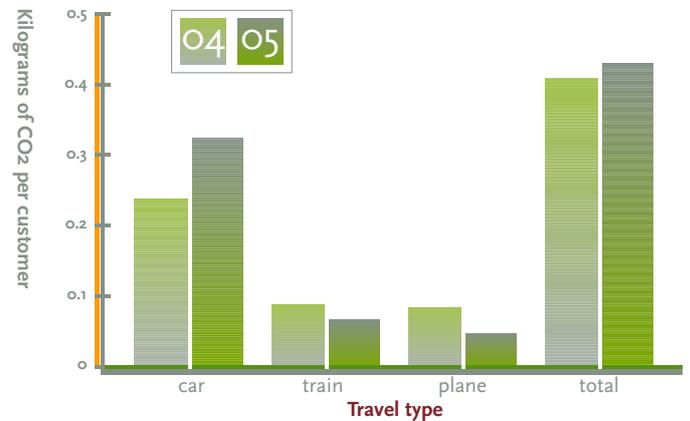
Good Energy's success can be attributed to the energy and dedication of our staff. Good Energy aims to act as a responsible employer at all times, supporting and developing our staff to perform to the highest standard. The company also aims to adopt the best possible environmental practice for the workplace in order to save energy and reduce waste.

By the end of 2005, Good Energy employed 14 members of staff. The offices are in a building that has been designed to optimise energy efficiency and incorporates the latest technologies including movement light sensors, passive solar heating design and passive cooling design. Waste reduction and recycling is operated at all times and an environmental procurement policy is in place for all office consumables, namely furniture, stationary and printing requirements.

The offices are located close to both the train and bus station, providing easy access to public transport for both business and commuting purposes. The company has developed a comprehensive transport policy which provides guidance not only on appropriate type of transport to be used according to distance and time incurred but also whether or not a journey should be made in the first place.

As expected with a growing company, the total number of business miles travelled by the company has increased during 2005. This is also reflected in the carbon emissions by customer, which has also shown a slight total increase.

Good Energy CO2 emissions per customer



With the continued growth of the company, the need to formalise good working practices to maintain the culture of honesty and respect is recognised. Many good activities are already in place, including reviews, job descriptions, bonus payments and training plans. Best practice initiatives on 'equality & diversity' as well as 'training & people development' have already been formalised. It is planned that further strategies on 'corporate responsibility' and 'health and fitness of employees' will be developed to support and nurture our employees during 2006.

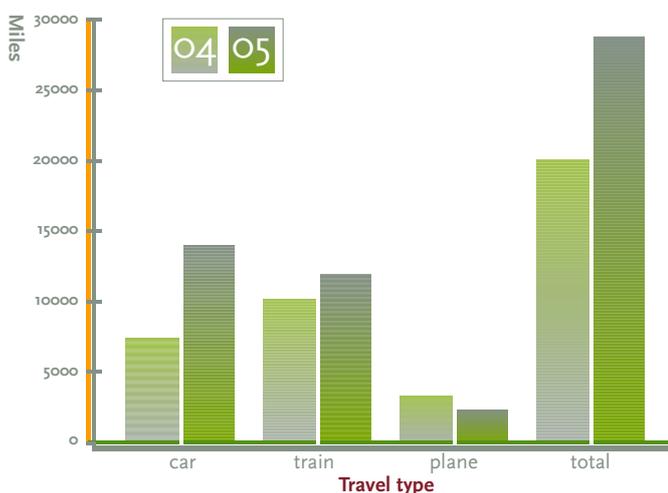
## 2005 Targets

- ✓ To formalise best practice initiatives on 'equality & diversity' and 'training & people development'. Achieved and promoted within the Company.
- ✗ To introduce a CO2 calculator for each business meeting. This target was not achieved and has been carried over to next year.
- ✗ To introduce a sliding bonus payment to individuals based on CO2 emissions from travel to work. This target has been carried over to 2006.
- ✗ To formalise our work on 'corporate responsibility' and 'health & fitness of employees'. This target has been carried over to 2006.

## 2006 Targets

- To introduce a sliding bonus payment to individuals based on CO2 emissions from travel to work
- To introduce a CO2 calculator for each business meeting
- To formalise strategies on 'corporate responsibility' and 'health & fitness of employees'.

Good Energy Business miles by type



## INDEPENDENT ACCOUNTANTS' REPORT TO THE DIRECTORS OF GOOD ENERGY LIMITED (FORMERLY UNIT ENERGY LIMITED)

We have examined the underlying records of Good Energy Limited in accordance with our terms of engagement and scope of work procedures dated 15 November 2004, which the directors have agreed.

Our work was performed solely to provide the directors with a report regarding the company's commitment to supply customers with power generated from renewable resources. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the directors as a body, for this report, or the opinions we have formed.

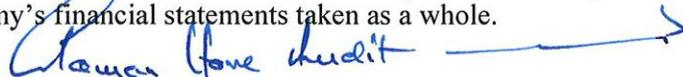
The procedures performed consisted of a review of relevant records and correspondence, analytical procedures and enquiries of management. The results of these procedures indicate that:

1. in the period from 1 April 2004 to 31 March 2005 Good Energy Limited sold 64,787 Mwh of electricity to its customers.
2. during the period from 1 April 2004 to 31 March 2005 Good Energy Limited bought renewable energy from recognised green generators of at least 100% of the above value; Good Energy Limited holds Generator Declarations which identify the renewable source of supply for at least 100% of the above value.
3. for the period from 1 April 2004 to 31 March 2005 Levy Exemption Certificates ("LECs") to the amount of 100% of the electricity sold were held by Good Energy Limited. As these LECs are held no Climate Change Levy is charged indicating that the electricity sold is derived from renewable resources.
4. for the period from 1 April 2003 to 31 March 2004 Good Energy Limited surrendered sufficient renewable obligations (ROC) to meet the Governments target of 4.3% of Mwh usage for the period, and held sufficient ROC to retire a further 5.7% of ROC equivalents for that period.

Based on the above procedures, in our opinion during the period 1 April 2004 to 31 March 2005, Good Energy Limited complied with its obligation to match electricity sales to its customers with purely 100% renewable generation and holds Levy Exemption Certificates and Generator Declarations in respect of 100% of these sales, and for the period 1 April 2003 to 31 March 2004 the Company met the Government target of surrendering renewable obligations to 4.3% of the Company's Mwh output. The Company retired a further 5.7% of ROC equivalents.

The procedures performed to verify the above statements do not constitute an audit. Should we have carried out any additional procedures, whether audit or review, other matters may have come to light that may have been reported upon.

This report is restricted to the directors of Good Energy Limited based on their agreement of the procedures performed. It also relates only to the above specific statements and does not extend to the company's financial statements taken as a whole.

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SOLOMON HARE AUDIT LLP

Chartered Accountants

 February 2006