



CleanSteps

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Bringing Carbon Offsets to the Masses: A Market-Based Approach

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A first-of-its-kind initiative

- WGES is one of the **first competitive energy suppliers** to purchase and retire certified local carbon offsets as part of its standard natural gas supply to customers.
- CleanStepsSM Carbon Offsets is a new feature of WGES natural gas supply that includes **carbon offsets matched to natural gas usage** and a newly created **Carbon Reduction Fund** managed by the Chesapeake Bay Foundation.
- CleanStepsSM Carbon Offsets is a **local initiative**. All carbon offsets purchased are locally sourced from within the Chesapeake Bay region.



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An innovative partnership

- **Washington Gas Energy Services (WGES):** one of the largest and most experienced energy suppliers in the Mid-Atlantic region with more than 300,000 customers in MD, VA, DE, DC, and PA supplying both gas and electricity. **WGES supplies CleanStepsSM Carbon Offsets to residential/small commercial natural gas customers.**
- **Sterling Planet (SP):** a leading retailer of renewable energy and other clean energy solutions. Over the past 10 years, SP has offset more that 45 billion pounds of carbon dioxide. **SP secures the carbon offsets needed to support WGES CleanStepsSM Carbon Offsets, and also provides marketing advice / support to WGES.**
- **Chesapeake Bay Foundation (CBF):** the only independent 501(c)(3) organization dedicated solely to restoring and protecting the Chesapeake Bay and its tributary rivers, with over 217,000 members. **CBF will manage Carbon Reduction Fund resources, helping identify and lead local carbon offset projects.**



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Building on existing success

CleanStepsSM WindPower

- > 2002: All standard residential electricity offers include 5% wind power (3.5 % for small commercial)
- *Options*: 50% or 100% wind power ('high wind')
 - ✓ At contract start or later as an 'add-on'
- *Easy to market* add-on:
 - ✓ 10 - 25% of customers choose high wind
 - ✓ *Why?* To educate / touch all customers

CleanStepsSM Carbon Offsets

Launched 09.13.2010

- Companion to **CleanStepsSM WindPower**.
- Building onto WGES' sustainable energy branding: 'CleanStepsSM'

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In the world of a competitive energy supplier . . .

- Customers must choose WGES
- Typically no customer lists
- No bill inserts
- No rate case needed for this new offer
- Ability to react quickly to market
- Access to different utility service territories
- Holding company /owners need to be on board

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Marketing CleanStepsSM Carbon Offsets

How to make carbon offsets 'attractive and desirable'

- Challenges
 - ✓ No model: Breaking new ground
 - ✓ Natural gas: already *'efficient by nature'*
 - ✓ *'Really, what's a carbon offset?'*: need to educate all
 - ✓ *'Is climate change real?'*: need to avoid any controversy
- *'What's in it for me?'*
 - ✓ Local offset sources – in their backyard
 - ✓ Measurable / quantifiable projected benefits
- Legitimizing CleanStepsSM Carbon Offsets
 - ✓ Strategic choice of highly credible partners
 - ✓ Rigorous choice of offset projects

Restoring nature's balance.

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WGES Natural Gas



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CleanStepsSM Carbon Offsets criteria

- **Real.** The offset must represent actual emission reductions that have **recently occurred**. We don't sell carbon offsets that are based on future performance.
- **Additional.** The emission reductions must be the result of specific actions that go beyond what would have happened anyway or “business as usual”, such as regulatory compliance. All source projects must pass a rigid, specific additionality test.
- **Verifiable.** The emission reductions must come from projects whose performance is readily and accurately measured, monitored and verified by **independent third party verifiers**.
- **Permanent.** The emission reductions must be permanent and fully retired, not potentially sold to multiple buyers or later released into the air. Our carbon offsets are entered in registries that issue unique serial numbers as a way to prevent selling the same offset more than once. WGES takes full ownership of the offsets and claim all the related environmental assets so that they can be **retired permanently**.

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Local carbon offset projects

Challenges and opportunities of choosing local

- Starting local
 - ✓ 18 month+ search for local sources
 - ✓ Bulk of initial supply from J.B. Hunt Transport Services - sending freight shipments by rail instead of by truck; additional supply from capturing and destroying landfill methane
- Staying local
 - ✓ Carbon Reduction Fund
 - ✓ Working with prestigious local nonprofit – Chesapeake Bay Foundation
 - ✓ Sustainable projects that make a difference
- Offsets in the Chesapeake Bay Region
 - ✓ Daunting global climate issue approached in a manageable way
 - ✓ Bay appeals to many customers (not just green)



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Identifying key messages / preferences

Focus groups provided valuable feedback

1. Simple, consistent language preferred
2. Best to start with the basics – but provide details to those interested
3. ‘Carbon offset’ is a confusing concept; ‘carbon footprint’ is better understood
4. Audience cared about the Bay, but were discouraged
5. ‘Restoring Nature’s balance’ and ‘innovative partnership’ were highest rated key messages
6. Common questions
 - a. How does this affect me?
 - b. How do I know this is legit?



Building messages

Applying what we learned in focus groups

- Synchronized across channels
- Clarified the offer - core products vs. features
- Created website as info portal
 - ✓ First step: in-house product book
 - ✓ Initial pages cover the 'basics'
 - ✓ Multiple click-throughs with more information
 - ✓ Graphics to keep things simple
- Used messages that tested well
- Simplified language / complex concepts
- Chose explainable, relatable projects with multiple benefits
- Struck balance when discussing the state of the Bay
- Focused on local Chesapeake Bay
- Built legitimacy through strong coalition of partners – including supply partner

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Expected Outcomes

Enrollment

- After 1 year: 2/3 of WGES natural gas customers (new and renewing) enrolled at minimal level or 100%
- After 2 ½ yrs: all WGES natural gas customers enrolled at minimal level or 100%
- With full enrollment: \$200K per year to Chesapeake Bay Foundation to fund new local projects
- Thousands of customers choosing 100 % option

Measurable Benefits

In the first 2 years, benefits comparable to:

- Taking 7,000 cars off local roads for 2 years
- Planting 244,000 carbon-absorbing tree seedlings that grow for 30 years
- Removing 201,000 truckloads from roads in the Chesapeake Bay region, reducing traffic congestion and improving air quality

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Questions?

Visit us online at: www.cleansteps.com/offsets

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