

CABINET MEMBER FOR ENVIRONMENT CAPITAL	
July 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Samantha Dalton, Cabinet Member for Environment Capital	
Contact Officer(s):	Paul Phillipson - Director of Operations Charlotte Palmer – Climate Change Team Manager	Tel. 453455 Tel: 453538

Registration as a Participant in the Carbon Reduction Commitment Scheme

R E C O M M E N D A T I O N S	
FROM : Director of Operations, Paul Phillipson	Deadline date : July 2010
The Cabinet Member is recommended to:	
1. Submit the application for registration under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Cabinet Member for Environment Capital, Councillor Samantha Dalton, following recommendations from the Environment Capital Scrutiny Committee.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide additional background information with regard to Peterborough City Council's legal duty to register as a Full Participant in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme before the end of September 2010 and provide background information relating to the CRC.

2.2 This report is for the Cabinet Member for Environment Capital to consider as set out at delegation number 3.11.2 of Part 3 of the delegation document.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. CARBON REDUCTION COMMITMENT

4.1 Background

The government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is an obligatory emissions trading scheme covering non-energy intensive users in

both public and private sectors. It is a central part of the UK's strategy to achieve the carbon emission reduction targets set in the Climate Change Act 2008. Public and Private sector organisations that consumed energy over 6000MWh of electricity through the half hourly market during 2008 are required to participate in the scheme and purchase allowances to cover their emissions.

The scheme consists of overlapping phases, each starting with a qualification year, a 'Footprint year' and Footprint report, and then Annual Reports, sales and surrender of allowances and revenue recycling.

Registration for the first phase of the scheme started in April 2010 and must be completed by the end of September 2010. PCC is required to register for full participation in the scheme because it meets the qualification criteria above.

4.2 Scope

The scheme covers all carbon dioxide emissions generated by an organisation's consumption of energy, namely electricity, gas and oil. Sources of emissions included within the scheme are administrative offices, libraries, schools, leisure centres and day care homes, whilst transport related emissions, domestic emissions, community centres and emissions related to certain types of street lights (a recent amendment to a consultation) are excluded.

The organisation is defined as its individual listing, or listing of organisational type in the Freedom of Information Act. The extent of the organisation includes any mandatory grouping such as schools and legal entities such as fire authorities if the Local Authority is designated as a County Fire Authority. However if the Local Authority is a majority member in a company, i.e. holds majority voting rights and is a member of or appoints members of the board of directors, then this company would have to participate in the scheme in its own right.

The CRC also requires that emissions from tenants are included where the landlord (PCC) is counterparty to the energy supply contract. This will include certain Private Finance Initiative projects (PFI's) and joint ventures where the city council is counterparty to the energy contract or is the majority owner.

4.3 Reporting requirements and timescales

	Requirement	Deadline
Registration	<p>Steps required to register for the CRC scheme include:</p> <ul style="list-style-type: none"> – Nominate the different contacts (see step 4); – Obtain necessary security: digital certificates, certifications etc; – Submit data for electricity consumed in 2008 through Half Hourly meters (HHM's); – Submit our current organisational structure or 'universe'; – Pay registration charge and annual subsistence charge. 	<p>Registration portal opens April 2010, and registration must be completed by September 2010.</p> <p>The city council is recommended to complete registration by end of July 2010 as there are numerous required steps (see left) as well as checks by the scheme administrator that could take a month.</p> <p>Outcome: once registration is complete and confirmed by the scheme administrator (the Environment Agency), a compliance account is created for participation in the trading scheme.</p>

Footprint report	100% of emission data from The city council's 'universe' for April 2010 to March 2011. This footprint report defines the totality of the city councils emissions for the first introductory phase of the scheme.	Submit in April 2011.
Annual reports	As for the footprint year, except 10% of the total footprint emissions can be excluded where they aren't from core sources in order to reduce the reporting burden.	Submit report for first annual reporting year (2010/11) in July 2011 and every subsequent year thereafter.

An evidence pack is required to be maintained throughout to support submissions, and for audit purposes.

4.4 Costs, Recycling Payments, the Early Action Metric and the League Table

The costs of the scheme include:

- Registration fee: £950;
- Annual subsistence charges: £1,290;
- Allowances:

Phase 1: allowances are purchased from government at £12 per tonne of carbon dioxide emitted. This will cost the city council around £300k per annum, based upon annual emissions in the region of 25,000tCO₂.

In subsequent phases of the scheme, allowances will be traded on a secondary market between participants, so the price will be subject to market variability.

The scheme is designed to be revenue neutral, with the money from the sale of allowances recycled back to participants. The proportion of participants initial spend that they will recover depends upon their proportion of the total CRC emissions of all participants. This recycling payment is then adjusted according to the participants position in the performance league table. Ranking in the league table depends on participants relative performance, based upon three metrics:

1. The Absolute Metric: percentage change in emissions compared to previous years;
2. The Growth Metric: designed to take into account organisational growth but reduction in emissions intensity. Calculated as percentage change in emissions per unit of revenue expenditure;
3. The Early Action Metric: the percentage of emissions covered by either Automated Meter Readers and/or the Carbon Trust Standard (a certification for carbon management and not to be confused with the Carbon Trust Programme that PCC is currently undertaking), by the start of the first annual reporting year (April 2011). This metric is designed to reward early movers in carbon management, before the CRC starts;

The relative weighting of these metrics varies throughout the phases. The league table is published in the same year as the purchase of allowances, but is based upon emissions reports from the previous year. The position in the league table determines a further bonus or penalty rate, which is added to the recycling payment. The participant at the top of the league table will receive a 10% bonus and the participant at the bottom a 10% penalty with the rest graded in-between. The bonus/penalty rate will increase year on year to 50% by year five (2015).

The league table will also be published, adding a reputational risk to poor performance.

4.5 Audit and penalties

The scheme administrator will audit 20% of participants each year. This will centre on the evidence pack which backs up the emissions reports and provides justification for the organisation scope or 'universe'. Following the outcome of the NI 185 audit, it is likely the city council could be audited on the first compliance report, to check on our data quality. The CRC scheme carries substantial civil penalties for non-compliance with the scheme:

Reason	Financial penalty	Other
Failure to register	£5000 plus £500 per working day	Publication of non-compliance
Failure to submit footprint report	£5000 plus £500 per day of delay up to a maximum of 40 working days; or a fine of £40,000 if it is delayed more than 40 working days	Publication of non-compliance
Failure to submit annual report	£5000 plus £500 per day of delay up to a maximum of 40 working days; or a fine of £40,000 if it is delayed more than 40 working days	<ul style="list-style-type: none"> – Publication of non-compliance – Administrator will block transfer of allowances out of participants account – Bottom ranking in Performance League Table
Incorrect reporting	Fine for £40 per tonne of carbon dioxide incorrectly reported where the margin of error is greater than 5%	Publication of non-compliance
Failure to surrender allowances (Performance Commitment)	Fine for £40 per allowance that should have been obtained and cancelled	<ul style="list-style-type: none"> – Must obtain and surrender outstanding balance of allowances ASAP – Publication of non-compliance – Administrator will block transfer of allowances out of participants account
Failure to keep adequate records	Fine of £5 per tonne or carbon dioxide of total emissions reported in most recent annual report	Publication of non-compliance

In addition there are criminal penalties, including imprisonment for up to 3 years and fines up to £50,000, for falsification of data or non-compliance with enforcements as detailed above.

5. CONSULTATION

The following officers have been consulted in relation to this decision:

Helen Edwards, Solicitor to the Council.
Julie Robinson-Judd, Head of Asset Management.
Emma Bakewell, Senior P2P Officer.
Kirsty Nutton, Financial Services Manager – Corporate Accounting.

In addition, this information has been presented to the Carbon Management Programme Board and Environment Capital Scrutiny.

6. ANTICIPATED OUTCOMES

Following consideration of this report the city council will complete the registration process for the CRC.

7. REASONS FOR RECOMMENDATIONS

The city council has a legal duty to register and comply with the requirements set out in the *CRC Energy Efficiency Scheme Order 2010*. In addition ongoing work undertaken in this area will support the council's aspiration to create the UK's Environment Capital.

8. ALTERNATIVE OPTIONS CONSIDERED

The alternative option is not to register, which would result in fines for failure to comply with the legislation, would damage the council's reputation and ambitions to be recognised as Environment Capital. This option has therefore been rejected.

9. IMPLICATIONS

In order to ensure the various tasks are understood and completed a CRC working group has been established, chaired by Helen Edwards. The tasks, which all relevant parties are aware of and will be overseen by the working group include:

- Identify all HHM's within the city council's estate and collate the consumption data for the 2008 calendar year which will be undertaken by the Asset Management Team within Strategic Property;
- Nominate individual officers required to fulfil particular roles within the scheme;
- Ensure the corporate budget plan includes details of the costs associated with the CRC;
- Work with procurement to ensure Automatic Meter Reader's are installed to ensure PCC secures a position in the top half of the league table.

10. BACKGROUND DOCUMENTS

The Carbon Reduction Commitment Order 2010 can be found at:

http://www.opsi.gov.uk/si/si2010/uksi_20100768_en_1

The Climate Change Act 2008 can be found at:

<http://www.statutelaw.gov.uk/legResults.aspx?LegType=All+Legislation&title=climate+change&Year=2008&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&TYPE=QS&NavFrom=0&activeTextDocId=3539938&PageNumber=1&SortAlpha=0>

The CRC guidance document published by the Department for Energy and Climate Change (DECC) can be found at:

http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/crc.aspx

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