

Climate Change Agreements: Analysis of January and March 2012 consultation responses

July 2012

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<http://www.decc.gov.uk/en/content/cms/emissions/ccas/ccas.aspx>

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Analysis of Consultation Responses, June 2012

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Executive Summary

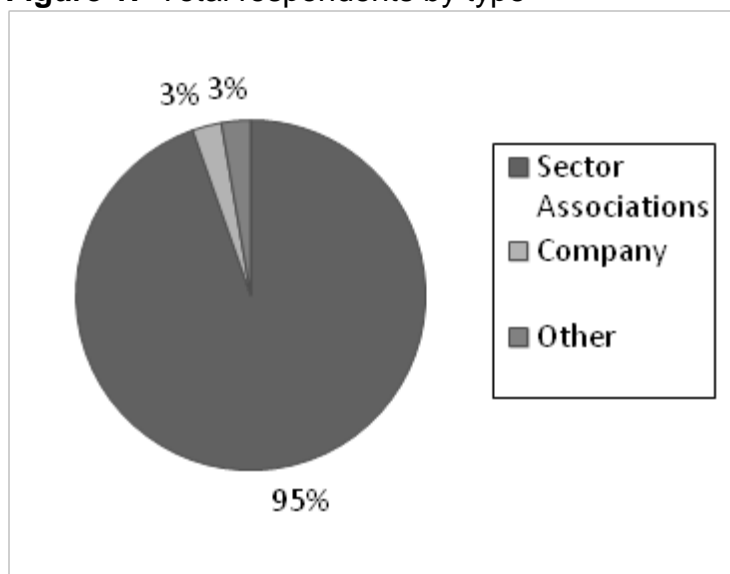
This report summarises the responses received to the January consultation 'DECC Climate Change Regulations and the Scheme Administration Charges: opportunity to comment' and the March consultation 'Climate Change Agreements: delivering simplification in the new scheme'. The consultation periods closed on 16 March 2012 and 25 May 2012 respectively.

The aim of this document is to present DECC's analysis of the responses. The views raised are those of the stakeholders that responded to the consultation, rather than those of DECC. This analysis will be used to inform the Government Response.

Section 1 - Overview of responses

There were 37 respondents to the January consultation. **Figure 1** represents the breakdown by respondent type. The largest number of responses (95%) came from Sector Associations (SAs, i.e. the organisations which represent the sectors which are in the CCA scheme) and 3% each were from individual companies with CCAs (Target Units) and other stakeholders. A full list of respondents is given in **Annex 1a**.

Figure 1: Total respondents by type



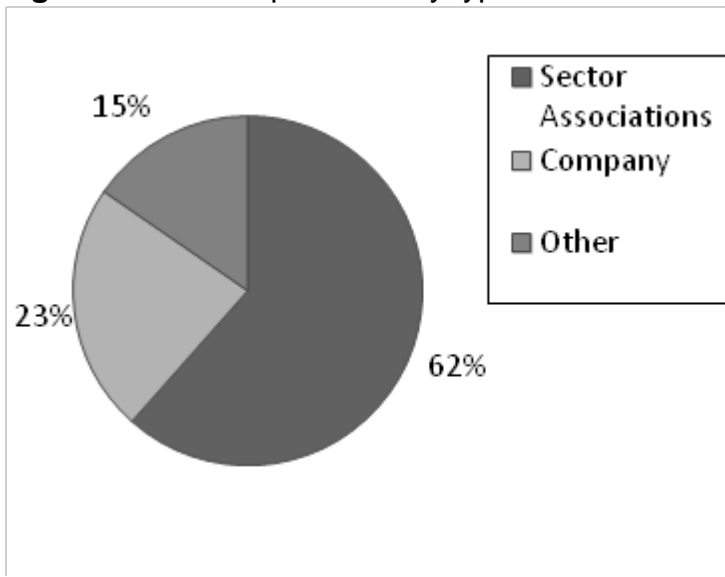
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There were no set questions for the January consultation as this was an 'opportunity to comment'. A summary of the comments made is given in **Section 2**.

There were 52 respondents to the March consultation. As in figure 1, **Figure 2** illustrates the breakdown of respondents. Again, the largest number of responses (61%) came from Sector Associations, 24% from individual companies and 16% from other stakeholders. A full list of respondents is given in **Annex 1b**.

¹ Due to rounding the total percentage displayed is greater than 100%

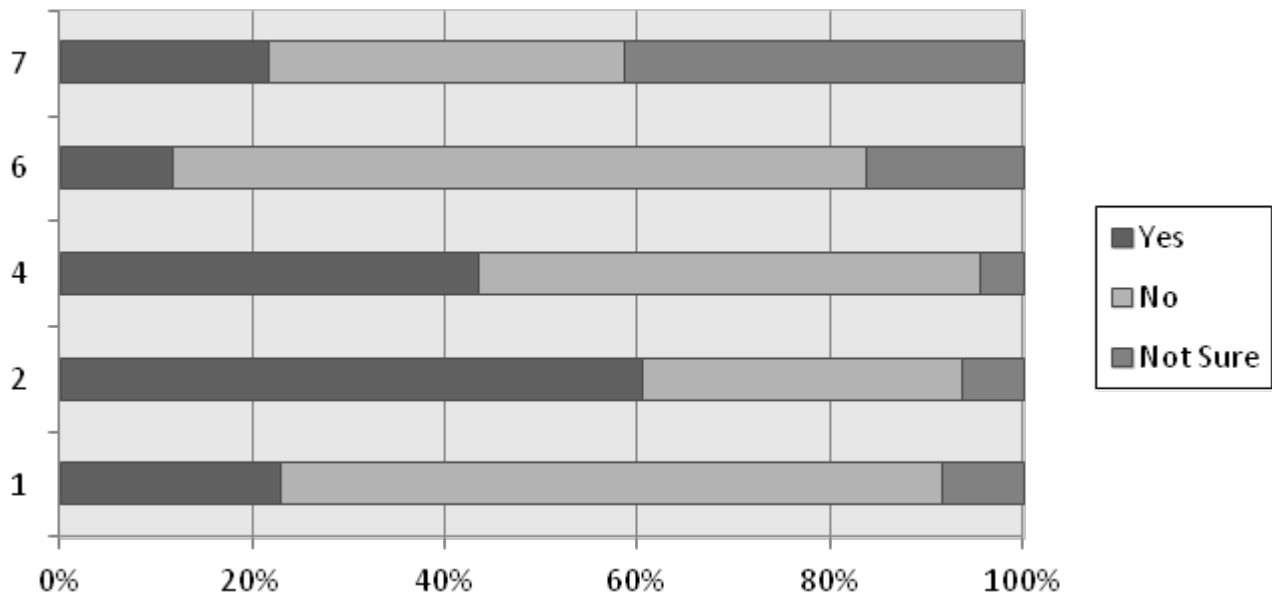
Figure 2: Total respondents by type



The March consultation asked for responses to 8 questions; the full list of questions is given in **Annex 2**. Questions 1-4 and 6-7 asked for a yes/no/not sure answer. All questions also provided the opportunity to add further comments. **Figure 3** shows the responses for these questions. *Note: Not all respondents chose to answer all the questions, therefore the percentages calculated are based on the specific responses to each question.*

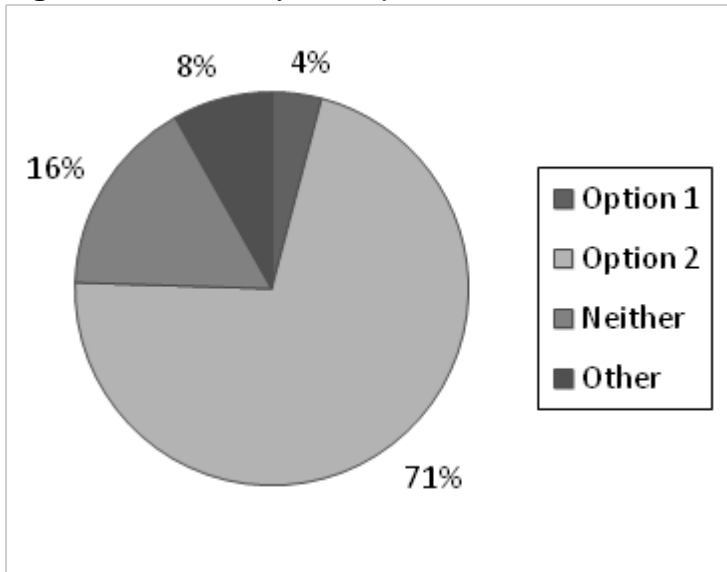
Any responses to Question 3 (Eligibility) have not been included as the consultation period closed before the corresponding document was published.

Figure 3: Summary of responses for Yes/No questions



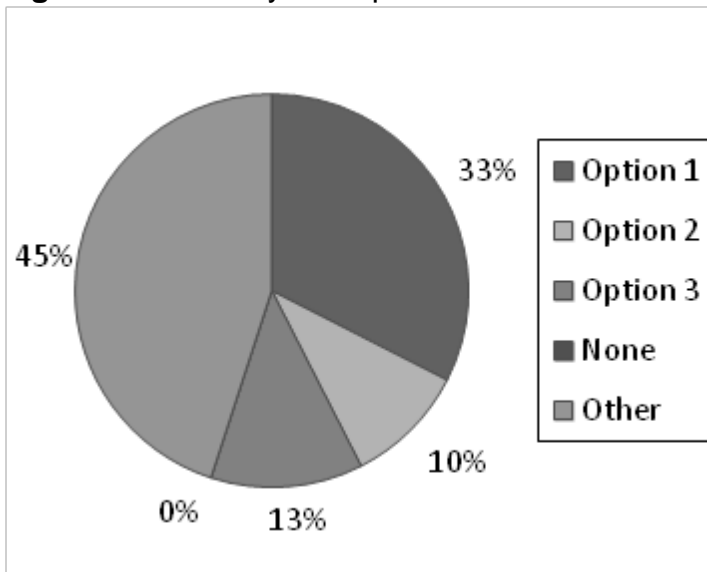
Question 5 (Charging) offered respondents a choice of 4 answers – Option 1, Option 2, Neither and Other. **Figure 4** shows the response to this question.

Figure 4: Summary of responses for Question 5



Question 8 (Emissions Factors) offered respondents a choice of 5 answers – Option 1, Option 2, Option 3, None and Other. **Figure 5** shows the responses to this question.

Figure 5: Summary of responses for Question 8



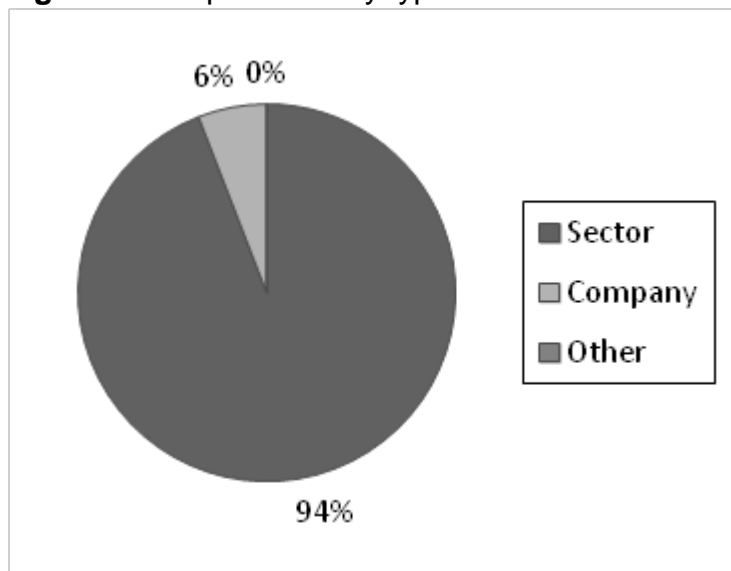
A summary of the responses to each of these questions is given in **Section 3**; this includes the main points raised for and against each proposal (where appropriate) and the generic themes that were raised.

Section 2 – Climate Change Regulations 2012 and the scheme administration charges: opportunity to comment – Grouped by theme

2.1 Regulations

17 of the 37 total respondents commented on the draft Regulations.

Figure 6: Respondents by type



Draft Regulation comments

- 15.5.b – it is unclear whether the term facility has been used to refer to a single facility, group of facilities or a target unit (11 sectors)
- 13.2.a – what is the process for dealing with Target Units with multiple facilities (1 sector)
- 70/30 rule creates competitive distortions which could be overcome by a 50/50 rule (1 sector)
- CCL rebate for the years 2013 and 2014 would be based on 2010 performance data. Will a modification of the law be required in order to allow current agreements to be extended (3 – 2 sectors and 1 TU)
- In order for all CCA holders to consistently retain the CCL relief, the first RRC for the new agreements would need to span the time from 1st April 2013 to the 30th June 2015 (1 sector)

Commentary

17 of the 37 total respondents commented on the draft Regulations.

11 sectors suggested that the meaning of the word 'facility' in Regulation 15.5.b is unclear as it does not make the distinction between single facility, group of facilities or a target unit.

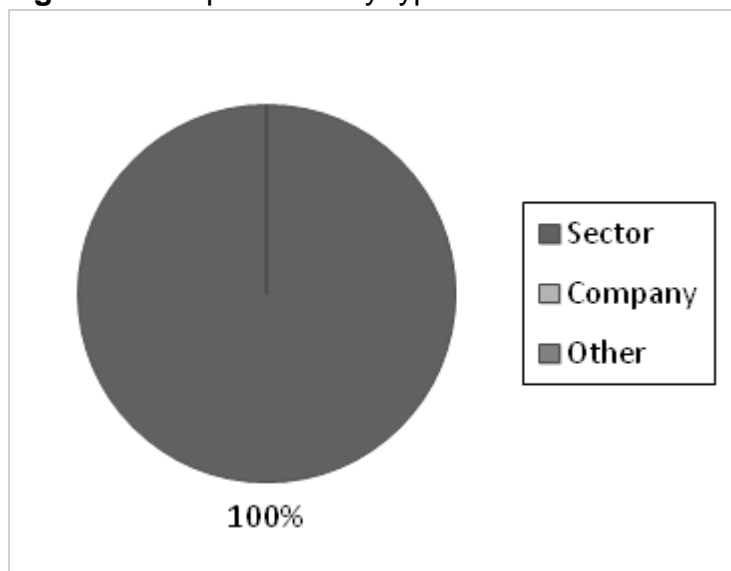
3 respondents have questioned whether the Law will need to be modified to allow any agreements within the current CCA scheme which expire in 2013 to be extended.

The remaining comments were each made by 1 respondent and are recorded above.

2.1.1 Eligibility

6 of the 37 total respondents commented on eligibility for the new CCA scheme.

Figure 7: Respondents by type



All comments were made by Sector Associations

Eligibility

- 9.2 of the draft Regulations – Is the intention to say Umbrella Agreement with Sectors rather than facilities? (1)
- Under the new CCAs will new entrants also have to use 2008 as the base year? (1)
- The Scheme Rules and sector Umbrella Agreements should provide additional information on eligibility as required to provide clarity to participants (2)
- The new CCAs allow a good opportunity to review the eligible processes. Processes already eligible in other sectors should be incorporated into sector agreements (1)
- Under the new CCA scheme companies should be allowed to move sites between sectors associations as part of the new registration process.
- PP4 forms should be retained (1)
- Eligibility is a key role of the Sector Association and along with the 70/30 rule requires an in depth knowledge of the processes. Is it feasible for this to be done by the EA with no sector knowledge? (1)

Commentary

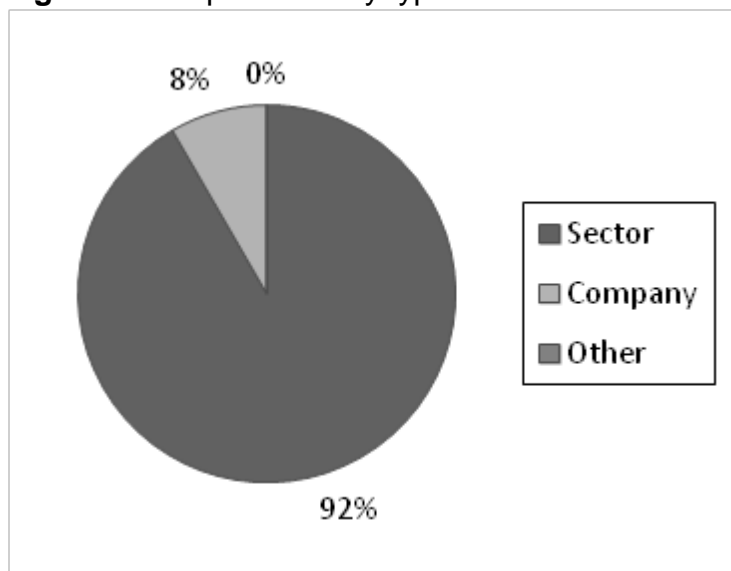
6 of the 37 total respondents commented on eligibility for the new CCA scheme.

The only request made by more than one sector requested the Rules and Umbrella Agreements for the new scheme to provide additional information on eligibility in order to provide clarity to participants. The remaining comments are recorded above.

2.1.2 Publishing Data

12 of the 37 total respondents commented on publishing data under the new CCA scheme.

Figure 8: Respondents by type



Regulations 8.2, 8.3 and 8.4

- Current CCAs allow for abattoir sites to withhold address details from the certificates for fear of use by animal rights activists. We ask that this is retained in the new CCAs (1 sector)
- 8.3 of the draft Regulations does not specify that only aggregated emissions will be published at target level (1 sector)
- Publication can reveal competitive data. It is wrong that government should publish information and risk undermining the competitiveness of UK companies (1 sector)
- 8.3 – Would like a deadline set for publication of the emissions, by the EA, in line with the many other deadline requirements set out in the regulations (11 sectors)
- 8.3 and 8.4 of the draft Regulations could the publication of emissions data submitted during reconciliation. Should state only sector data (3 – 2 sectors and 1 TU)

Regulation 8.4

All comments were made by Sector Associations

- This is interpreted as referring to the reports following each reporting Milestone and that future reports would be produced to the same scope (1)
- This could be misinterpreted to permit the publication of commercially sensitive information. This should be at sector not target level (1)
- The provision for publishing compliance information is unclear. Under the new CCAs, compliance is only reconciled at individual level (2)

- Further clarification is sought over the publication of TU emissions. This should be an overall emission value and not broken down into fuel type (1)
- Needs revising as it currently implies that a sector will have to provide an explanation to justify their performance (11)

Commentary

12 of the 37 total respondents commented on publishing data under the new CCA scheme.

Regulations 8.2, 8.3 and 8.4

12 respondents commented on the wording of the regulations. 11 of these asked for Regulation 8.3 to include a deadline for the publication of emissions and for Regulation 8.4 to be revised to remove the implication that Sector Associations will be required to provide an explanation justifying their performance. These respondents have assumed that the level of detail published will be the same as under the current CCAs.

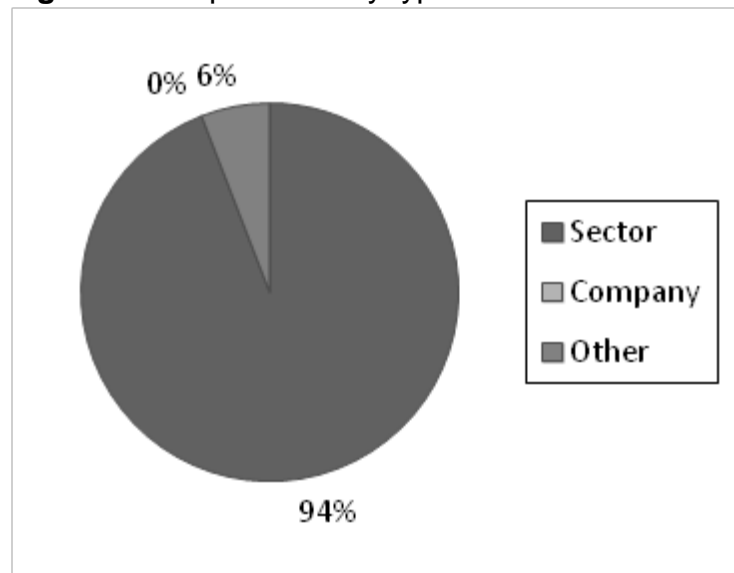
Of the remaining comments, the main concerns were that the wording of paragraphs 8.3 and 8.4 of the draft Regulations could allow the Environment Agency to publish data submitted during reconciliation and that Regulation 8.4 requires clarity of the term ‘account holder’.

The remaining comments were each made by 1 respondent and are recorded above.

2.1.3 Reporting and IT Register

17 of the 37 total respondents commented on reporting and the IT register.

Figure 9: Respondents by type



Role of the Sector Association

All comments were made by Sector Associations

- IT reporting should only be undertaken by the Sector Association (9)
- There needs to be a function within the register to keep track of targets that change. The Sector Association should receive a copy (3)

- The Sector Associations role needs to be clearly defined – target review/compliance/accountability (10)
- The Sector Association role in successful running of the scheme has been underestimated – queries/reporting of data/negotiation (8)
- Extra costs will be incurred if the Sector Association role is reduced – members and the Government (6)
- The trade association has played a vital role in the re-education of DECC staff – high turnover (2)

Target Units

All comments were made by Sector Associations

- Potential confusion in allowing 2 different reporting methodologies (3)
- Target Units must be required to be part of a Sector Association (2)
- How will double counting be avoided if Target Units report directly? (1)

Other Reporting and IT Register comments

- Definition of a ‘working day’ is narrow and does not reflect modern working hours (1 sector)
- Incorporating processes eligible in other sectors into sectoral agreements would greatly simplify the reporting process (1 sector)
- Changing the reporting methodology to cover energy use for a 2 year reporting period doubles the margins for failure (1 sector)
- Target negotiation process needs to be clarified (2 sectors)
- IT Register supported (2 sectors)
- The implementation and development of the electronic register should not be jeopardised to meet the unnecessarily tight deadline (1 sector)
- Where compliance costs are found to be in excess to what they should have been, this should be credited to the account holder (1 sector)
- Will the scheduled review of the compliance price in 2016 be able to change
- The Sector Association is expected to participate in re-base lining and target setting and allocation. Allowing sites to join the scheme directly could bring little/no recompense for these efforts (1 sector)
- IT Register – this cost will escalate as subcontractors are employed – cost will be passed on to participants (2 sectors)
- If DECC does not allow sector compliance, then the justification for bubbling across sectors should be allowed as the actual sector target is no longer important (1 sector)
- We propose the EA revisits it’s approach to compliance and the use of third party verifiers to reduce the costs to participants (1 other)

Commentary

17 of the 37 total respondents commented on reporting and the IT register.

Role of the Sector Association

14 respondents specifically commented on the Sector Associations role in the administering of the new CCA scheme and access to the IT register. The main concerns include the role of the Sector Association in responding to queries, reporting data and participating in target negotiations had

been underestimated (8 respondents) with a further 2 noting that this knowledge is vital given the frequent changes to DECCs CCA team. 10 would like the role of the Sector Association to be clearly defined, with particular consideration to be given to the 2016 target review, compliance and accountability. 9 believe access to and reporting on the IT register should be the sole responsibility of the Sector Association, with a further 3 respondents proposing that a system is introduced to ensure that the Sector Association is informed of any changes should participants choose to report autonomously. Finally, 6 sectors believe that extra costs will be incurred if the role of the Sector Association is significantly reduced.

Target Units

6 respondents comments specifically mentioned Target Units. 3 believe that to join the scheme Target Units must belong to a Sector and 2 felt that allowing two different reporting methodologies (reporting separately) would create confusion. The other response questioned how 'double counting' will be avoided if a Target Unit chooses to report autonomously.

Other comments

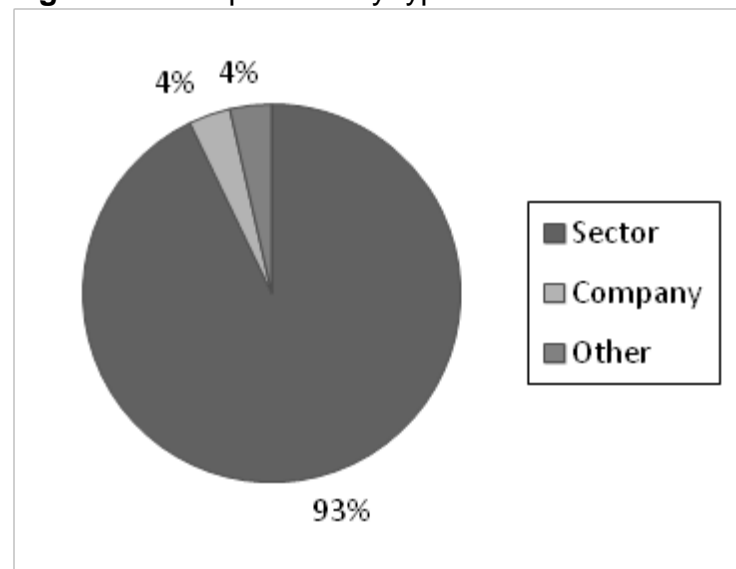
2 sectors declared support for the IT register while the number feel that this has already caused the Environment Agency to incur costs which will continue to escalate as sub-contractors are employed. 1 respondent was critical of the removal of reporting at Sector level and another proposed that to reduce costs to participants, the Environment Agency should revisit its approach to compliance and the utilisation of third parties to complete audits. 2 sectors also requested clarity of the target negotiation process.

The remaining comments were each made by 1 respondent and are recorded above.

2.2 The Buy-out Mechanism

28 of the 37 total respondents commented on the buy-out mechanism.

Figure 10: Respondent by type



² Due to rounding the total percentage displayed is greater than 100%

Buy-out mechanism 'working-day'

- 15 working day period for payment of any buy-out fee is too short (23 – 22 sectors and 1 TU)
- Working day period should be increased to 30 days (13 sectors)
- Working day period should be increased to 90 days (3 – 2 sectors and 1 TU)
- The working day period should be a fixed number of days post the data reporting deadline (1 sector)

Other buy-out mechanism comments

All comments were made by Sector Associations

- Decertification should be retained (3)
- As a risk management strategy it should be possible to over purchase allowances at any time during the reporting period (2)
- We welcome the fact that the penalty will be raised based on the net failure and that the price is pre-set for the first 2 target periods (2)
- Closing UK ETR is equivalent to a market mechanism being replaced by a UK energy tax which may have no relationship to the European/World price or carbon (2)
- The buy-out scheme marks a significant increase in the cost of scheme compliance – TUs must now purchase twice the number of allowance than before (1)

Commentary

28 of the 37 total respondents commented on the buy-out mechanism.

Buy-out working day period

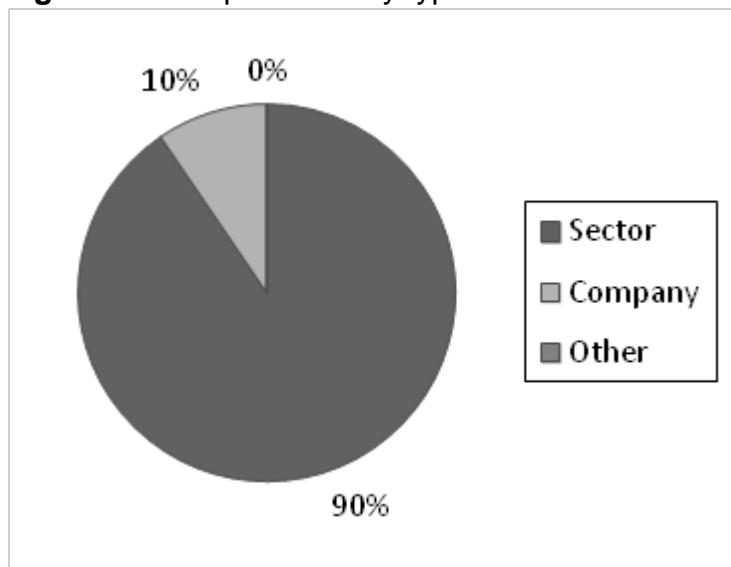
23 respondents specifically commented on the 15 day working period for the payment of any buy-out fee and all were opposed to this timeframe. Alternative proposals suggested extending the working day period to 30 days (13), 90 days (3) and a fixed number of days post the data reporting deadline (1). 6 respondents did not offer an alternative.

Other comments

The response to the September 2011 consultation showed that 76% of the 99 respondents were in favour of the introduction of a buy-out mechanism to the CCA scheme. In response to the expanded proposals, 2 sectors would like to purchase allowances at any time during the reporting period. The same number welcomed the simplicity of the scheme and the fact that the purchase price will be known in advance. Negative reactions included an a preference for decertification to be retained (3 sectors) and 2 respondents opposed the closure of the UK Emissions Trading Register. 1 comment stated that the cost of scheme compliance will significantly increase due to the allowance price.

2.2.1 Surplus

21 of the 37 total respondents commented on the use of surplus generated under the new CCA scheme

Figure 11: Respondents by type

All comments were made by Sector Associations

Surplus – process

- Surplus use should be optional and not mandatory and the Regulations should state this (12)
- Surplus is a financial asset (1)
- Sector should be allowed to decide how/whether to allocate surplus to target units (1)
- It is not clear whether banked emissions will automatically be used to offset a shortfall in a subsequent target period (1)
- Automatic deduction of banked allowances could be the default and a choice introduced as to whether to save previous overachievement (1)

All comments were made by Sector Associations

Surplus – change of ownership

- Banked surplus should be transferable to new operator if there is change of ownership (1)
- If a TU changes ownership and joins another CCA what happens to any surplus previously generated? (4)

Other surplus comments

- Permitting overachievement to be transferred within a bubble gives groups of companies an advantage over single-entity companies (2 sectors)
- Over achievement in the current scheme should be recognised in the new scheme (1 sector)
- Multiple site TUs must be able to use over performance generated to the benefit of the overall TU (1 sector)
- The provision to share over performance between sites is welcomed, but we are concerned over the restriction to sites in the same sector (1 sector)

- Where it is found that performance was better than reported, these should be re-credited as banked allowances (1)
- 11.2.c – the amount required to pay will be calculated by subtracting a ‘surplus’ from the amount by which the emissions exceeded the target. Should the wording be changed? (3 – 2 sectors and 1 TU)
- Regulation 7 – on closing an account surplus is cancelled. This should be reinstated if the scheme is rejoined at a later date (3 – 2 sectors and 1 TU)

Commentary

19 of the 37 total respondents commented on the use of surplus generated under the new CCA scheme.

Surplus – process

13 respondents commented directly on the process for the use of surplus previously generated. Of these, 12 respondents feel that the use of surplus, to meet targets that have been missed, should be optional rather than mandatory. Expanding on this 2 sectors have questioned whether the use of surplus will be automatic or if the automatic use could be the default option until otherwise specified. Other comments, each made by one respondent, were that the Sector Association should be allowed to decide when and how any surplus will be allocated within their sector and that any surplus is a financial asset.

Surplus – change of ownership

4 of the 5 respondents asked what will happen to any surplus previously generated when there is a change of ownership. The final comment, specific to this issue, proposes that any banked surplus should be transferable to the new operator.

Other comments

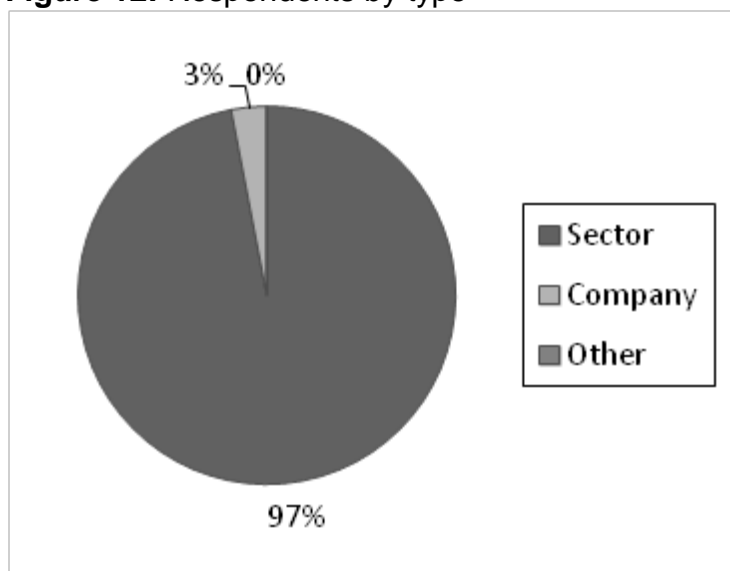
3 respondents have asked if the wording of Regulation 11.2.c should be changed to ensure that surplus used in the calculation is only applied where this has been previously generated. The same number requested that any surplus previously cancelled when an agreement is terminated should be reinstated if the scheme is later rejoined.

Of the 5 other responses 2 sectors made the negative comment that by permitting any overachievement generated to be shared within a bubble gives groups an advantage over single entity companies, whereas the previous UK ETR allowed all companies to trade equally.

The remaining comments were each made by 1 respondent and are recorded above.

2.3 Penalties

33 of the 37 total respondents commented on the proposed penalty system.

Figure 12: Respondents by type**Category 1 Infringements**

- Category 1 penalties disproportionate for a large TU (4 sectors)
- Category 1 penalty of 10% loss of CCL rebate is disproportionate to the infringement (19 – 18 sectors and 1 TU)
- Category 1 penalties (minor) potentially disproportionate to Category 2 penalties (major) (3 sectors)
- Category 1 penalties should be capped or have a preset figure (6 sectors)
- Category 1 infringements should be clarified – variations defined (19 – 18 sectors and 1 TU)

Category 2 Infringements

All comments were made by Sector Associations

- Clarity to be provided for genuine errors (9)
- A de-minimis cut off should be agreed for Category 2 penalties (7)
- Penalties should not be imposed when performance is better than reported (1)
- The penalty for baseline errors should be clarified (1)
- A pragmatic approach should be taken to the imposing of penalties (8)

Other penalties comments

- 15.2.b of the draft Regulations is vaguely worded and requires further clarity (9 – 8 sectors and 1 TU)
- 16.c of the draft Regulations – date should be clear and prescriptive (1 sector)
- 15.5.b of the draft Regulations - Fines should be levied at site/facility level rather than TU to reflect a fairer and proportionate penalty (10 sectors)
- 15.2.a – reporting period not specified. Should be aligned with the CRC process (10 sectors)

- 15.2.c – 20 day working period may be unfair. When being sold it may take time to establish staff roles and responsibilities. Could an interim notification be sent? (10 sectors)
- Any revenues raised through CCA penalties should be made available to scheme participants (1 sector)
- No provision for inadequate record keeping and non-compliance with audits (1 sector)
- Penalties and appeals do not adequately address Force Majeure. This should be dealt with separately (1 sector)
- The calculation of Cat 1 penalties would be related to the calculated benefit received in 2008 decoupling any benefit received by the TU (1 sector)
- The responsibility and liability for the penalty needs to be clarified (1 sector)
- Using the CRC grid factor would raise the cost of the penalty by 20% and should be resisted (1 sector)
- An account holder and an account operator can at times be the same person; this could cause difficulties in defining precise responsibilities (1 sector)

Commentary

33 of the 37 total respondents commented on the proposed penalty system.

Category 1 Infringements

25 respondents made comments specifically referring to the penalty to be applied for Category 1 Infringements and all responses were negative. For example, 19 stated that the penalty of a 10% loss of the CCL rebate was disproportionate to the infringement. The same number asked for the infringements that would result in this penalty being applied to be clarified. Other comments were that the penalty would be disproportionate for large companies (4), the level of any Category 1 penalty should be capped or have a preset figure (6) and that the penalty that could be imposed for 'minor' infringements is potentially disproportionate to the that for 'major' infringements (3).

Category 2 Infringements

20 respondents made comments specifically relating to the penalty to be applied for Category 2 Infringements. There was general support for this aspect of the penalty system however, 8 sectors asked for a pragmatic approach to be taken when determining whether an infringement has occurred and that a penalty will be imposed. To combat against excessive penalties being imposed 9 respondents requested further clarity to the process for dealing with any genuine/unintentional reporting errors with 1 specifically mentioning baseline errors and 7 requested that a de-minimis limit should be agreed. 1 sector also felt that there should be no penalty when performance is later found to be better than originally reported.

Other comments

10 sectors commented on Regulations 15.2.a and 15.2.c. These sectors noted that a reporting period in Regulation 15.2.a has not been specified and have suggested that this should be aligned with the CRC Energy Efficiency Scheme. With regard to Regulation 15.2.c these sectors feel that the 20 day working day period, to notify any changes that would result in a variation of the Underlying Agreement, may not be feasible and have proposed that an interim notification could be sent.

The two other main areas of concern were sections 15.2.b and 15.5.b of the draft Regulations. 9 respondents remarked that the wording of 15.2.b was vague, requesting further clarity and 10

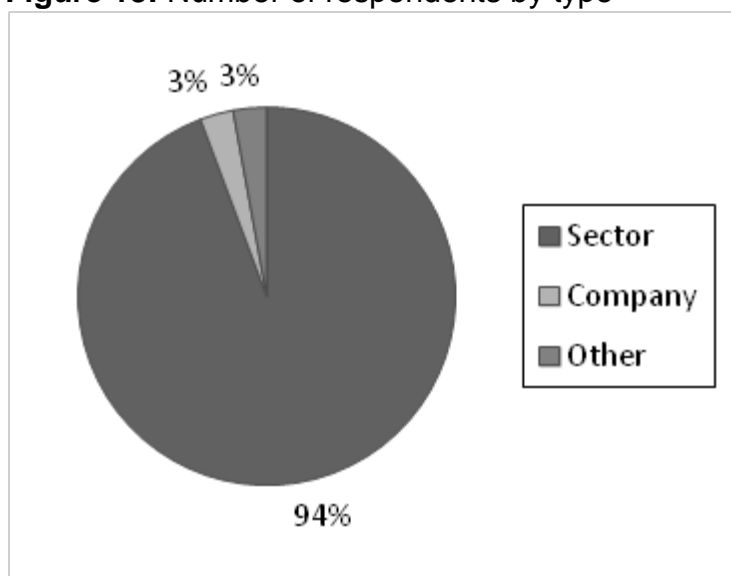
stated that they felt any fines should be levied at sites/facilities rather than target units as stated in 15.5.b. The reasoning behind this being that the any penalty would be fairer and more proportionate.

The remaining comments were each made by 1 respondent and are recorded above.

2.4 Fees and Charges

35 of the 37 total respondents commented on the administration charges proposed by the Environment Agency.

Figure 13: Number of respondents by type



Sector Associations

All comments were made by Sector Associations

- The EA should not charge the Sector Associations – sectors help run the scheme/will be the first point of contact for TUs (5)
- Reporting through the Sector Association delivers benefit and should be reflected in the charging structure (3)
- Sector Associations should be allowed to manage all aspects of the agreements on behalf of their members (1)
- Fee should be collected through the Sector Associations, rather than by invoicing individual TUs – reduce admin burden (3)

Option 1 vs Option 2

- Option 1 preferred – simple/pragmatic and minimises complexity/cheapest (23 – 22 sectors and 1 TU)
- Option 2 preferred - cost of variation should be imposed on those causing the variation (1 sector and 1 other)

Charge should relate to size of the sector

All comments were made by Sector Associations

- It is inequitable to charge a flat rate fee of each sector regardless of size, and this should be banded (2)
- The imposition of subsistence charges at TU level with no reference to number of facilities does not appear fair (1)
- Participant preference will depend on how many facilities are operated within the TU. Charges should be consistent with workloads at the EA (1)
- The charging regime should be based on facilities rather than TUs (1)

Other administration charge comments

All comments were made by Sector Associations

- Proposal for providing a discount is welcomed. Would like to know more (3)
- Industry believes a bubbled target should face a reduced cost – streamlined reporting process (1)
- Variation costs should be included in the annual fee (1)
- Operators make many changes to their CCA data/documents over time. A fixed fee would encourage accuracy of information (1)
- The current fees and charges proposals appear to be an attempt to remove smaller Sector Associations from the CCA scheme (1)
- CCA participants should only face one CCA administration charge each year (1)
- Would like to know more about other options before a decision is made (1)
- The subsistence costs appear to be substantially cheaper than the EU ETS and slightly cheaper than the CRC (1)
- Pleased the level of fees have been kept significantly lower than CRC and EU ETS (1)
- Until a definitive set of proposals is available, we are unable to make any sensible comments (1)

Commentary

35 of the 37 total respondents commented on the administration charges proposed by the Environment Agency.

Sector Associations

Of the 10 respondents that commented specifically on the charges to and role of the Sector Associations 5 felt that there should be no charge to the Sectors. The reasoning for this being that the Sector Associations are integral to successful running of the scheme and will support the Environment Agency in this. Similar to these comments, 3 of the respondents felt that, given the benefits to the Environment Agency, the level of support provided by the Sector Associations has not been taken into consideration when calculating the proposed charges. 3 sectors stated that to reduce the administrative burden on both the target units and the administrator the Sector Associations should be responsible for collecting all fees. The final comment suggested the Sector should be allowed to manage all aspects of the scheme on behalf of their members in order to keep the administration of the scheme as simple as possible.

Charging Proposal – Option 1 vs Option 2

25 respondents declared a preference of one of the 2 charging options proposed. The majority (23) preferred Option 1 (where the annual TU charge was £370 but there was no separate variation charge), stating that this was simplest and most economical option. Only one response was from a TU with a CCA rather than a Sector Association. Of the 2 respondents that favoured Option 2 (a reduced annual TU charge of £350 and an annual variation charge of £75 for each target unit), 1 response was from a Sector Association and the other was from an individual TU outside of the scheme. Both respondents felt that the cost of any variation should fall upon the party making the change.

Charges should be calculated in relation to the size of the Sector

5 respondents disagreed with the proposal to charge all Sectors the same fee. Specific comments included, the complexity and administration costs incurred will be dependent on the size of the sector so it is inequitable to charge a flat rate fee (2), the imposition of charges at TU level with no reference to the number of facilities does not appear fair (1), participant preference will depend on how many facilities are operated within the TU therefore, the fundamental principle of charging should be consistent with workloads at the Environment Agency (1) and the charging regime should be based on facilities rather than target units as, this would prevent charges acting as a deterrent to smaller sites participating in the scheme (1).

Other comments

3 respondents requested further information as to possible discounts the Environment Agency offered to participants in the scheme.

The remaining comments were each made by 1 sector and are recorded above.

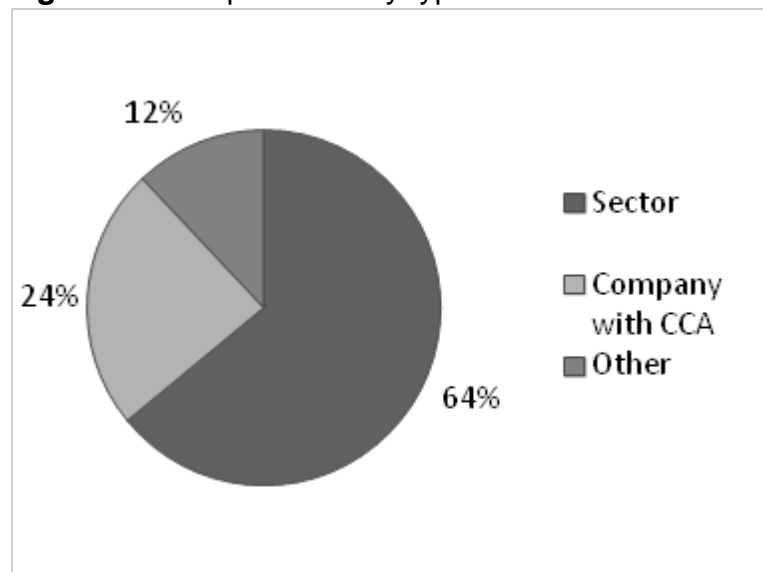
Section 3 – Climate Change Agreements: delivering simplification in the New scheme – responses to each question

3.1 Question 1

Are there any unintended consequences as a result of the proposal to terminate for a failure to meet targets? If yes, please provide evidence to substantiate your views.

50 of the 52 total respondents answered Question 1.

Figure 14: Respondents by type



Points for, and number of respondents raising these points

- Clarity needed – breach of rules does not account for minor/major misdemeanour split (5 – 2 sectors, 2 TUs and 1 other)
- Administratively burdensome to re-apply (2 sectors)
- Buy-out fee notice period insufficient (1 sector)

Points against, and number of respondents raising these points

- Buy-out mechanism seems fair and easy (3 – 2 TUs and 1 other)
- Reasonable course of action for targets not met (6 – 1 sector, 4 TUs and 1 other)
- Clauses 24-26 clearly set out requirements (1 other)
- No unintended consequences (3 sectors)

Other Comments

- Issues with targets, audits and fees in changing system (1 sector)
- Guidance – timescale needed for TU re-entry if terminated (1 sector)

Commentary

12 respondents expressed concern over the proposal. Of those, 9 respondents needed clarity on what constitutes a 'major' and 'minor' misdemeanour. Respondents generally support the termination of a facility for failure to meet its target, but clear guidance is needed to ensure minor offences by stakeholders are not severely punished. 4 respondents also mentioned that non-intentional errors should also be protected from termination and that a mechanism should be in place to prevent this from happening. The remaining respondent emphasised that the buy-out fee notice of 15 days was not sufficient and 30 days was more realistic.

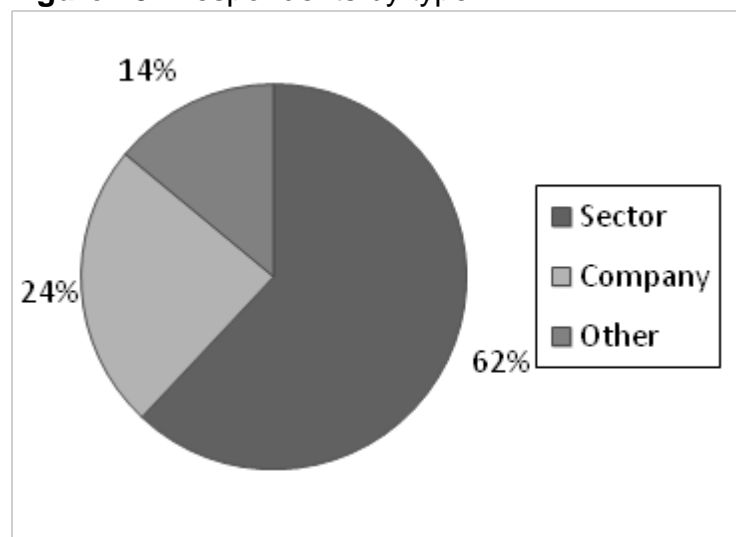
Of the remaining comments, 4 respondents questioned whether, as with decertification, banked surplus allowances would be retained while the operator re-joins the scheme, and 2 respondents asked for clear guidance on the termination process and re-entering the scheme after termination.

3.2 Question 2

Are there any unintended consequences as a result of the revised agreements for the CCA scheme, including the Rules? If yes, please provide evidence to substantiate your views.

50 of the 52 total respondents answered Question 2.

Figure 15: Respondents by type



Rule 14.1.3

- Oppose proposal (15 – 12 sectors, 2 TUs and 1 other)
- Knowledge of baseline energy use and targets coupled to the buy-out price could reveal CCA compliance cost information to 3rd parties (26 - 18 sectors, 6 TUs and 2 others)
- Figures could be misunderstood in isolation (15 - 13 sectors, 1 TU and 1 other)
- Information should be sector only (8 – 4 sectors and 4 TUs)
- Would provide cost information to customers which could be used in pricing and contract negotiations (9 sectors)
- Proposal - round percentages/have agreed limits (4 – 2 sectors, 1 TU and 1 other)

Rule 14

- 14.1.5 - superfluous - the need to publish this information and questions what value it would have to anyone (1 sector)
- 14.1.6 - clarify intent (9 sectors)
- 14.1.8 - 2 years data creates confusion (2 - 1 TU and 1 other)
- 14.1.8 - published data would only form partial picture - commentary to explain would be burdensome (1 sector)
- 14.2 - commercially sensitive information should not be issued at any time (FOI/EIR) (3 - 1 sector, 1 TU and 1 other)
- 14 - could affect the transparency and effective setting of target unit targets (14 - 12 sectors, 1 TU and 1 other)
- 14 - Publishing process – information published once after signing or after variations are made (9 sectors)
- 14 - Bubbled TUs – Is the intention that each target will be published separately (3 - 1 sector, 1 TU and 1 other)

Rules 9.1 and 9.2

- 9.1.1 - Is this referring to the Finance Act – How will it fit with the eligibility regulations? (5 – 1 sector and 4 TUs)
- 9.2 – Final period for new entrants joining the scheme is unfair and should be reviewed (11 sectors)
- 9.2 – Proposal – New entrant deadline should be final 12 months of the scheme (10 sectors)
- 9.2 – Proposal – Scheme should be left open until ‘part-way’ into the milestone (1 sector)

Rules 9, 10, 11 and 12

- 9.5 and 10.2 – it is the role of Administrator to serve variation notices not the Sector Association (1 sector)
- 9.6 – What is the process for rejoining scheme if sold to new owners? Will they have to wait 4 years? (3 – 1 sector, 1 TU and 1 other)
- 9 and 10 – The sector target should be modified to reflect entrants/exits (1 sector)
- 11.5 – Clarify process for variation of sector targets – end of each target period or 2016 only? (1 sector)
- 12.3.4 - Should make provision for the variation of the TU target (1 TU)
- 12 - Does an appeal put the 10 and 20 day requirements on hold? (5 – 1 sector and 4 others)

Rules 1, 3 and 4

- 3.1 - Administrator notifications should include copies to the Sector Association (1 sector)
- 3.2 - 10 days is insufficient time to provide information (1 sector)
- 3.4.2 – Power disruptions should include gas (1 sector)
- 3.6 - Information required should be clarified (3 sectors, 1 TU and 1 other)
- Process for submitting variations should be clarified (9 sectors)
- 1, 3 and 4 - Timelines not specified. Requests could be issued at short notice – possible 10% penalty (1 sector)

Rules 2 and 3

- 2.3 - No rule obligating Target Units to pay Sector Charges (12 – 10 sectors, 1 TU and 1 other)
- 2.6 - Not intended to be mandatory (1 other)
- 13.4 – The period of record keeping is excessive (1 sector and 4 TUs)
- 13 - DECC must ensure that administrative demands do not overburden TUs (1 sector)
- 13 - Requirement to record and report energy saving is onerous (1 TU)

Umbrella and Underlying Agreements

- Schedule 1 - Will agreements be frozen on signature (1 sector)
- Schedule 1 - UmA 1.1 - shared facilities - one operator should be able sign for all (1 sector)
- Schedule 1 - UmA 3.6 - requirement is too broad – ‘adequate’ is matter of opinion (6 – 2 sectors and 4 TUs)
- UnA - 5 – if termination notice is given 20 days before end target period is a penalty incurred? (1 TU)
- UmA - 5 - target should be presented in target currency not percentage improvement (1 other)
- Schedule 6 - How would a significant expansion to a facility be dealt with? (1 TU)

Working Days

- Working days - current periods improvement – greater standardisation (2 sectors)
- 20 days is insufficient time to distribute targets (2 sectors)
- 15 days insufficient to pay buy-out - all periods should be standardised to 20 days (2 – 1 sector and 1 other)
- Working days - further harmonisation could be possible (1 sector)
- Working days - not all appropriate to task (1 sector)

CCA16 and other comments

Each comment was made by one respondent

- No mention of CCA16 rules which prevented an absolute target (Other)
- CCA16 rule is unnecessary - a threshold of 75% would be more appropriate (Sector)
- Surplus - use should be possible between any target unit owned by same organisation (TU)
- Unpaid charges - rules should clarify role of SA – are they agents or principles – liability? (Sector)
- There seems to be few deadlines for administrator to respond to operator (Sector)
- What is the intention of Clause 8? (Other)
- As termination occurs in 2 circumstances - what value is there in publishing lists (Other)
- Was the assumption that all TUs have same currency? (Other)
- It could be difficult to demonstrate expenditure in relation to process optimisation (Other)
- Operation of bubbled facilities will be difficult if they have different currencies (Other)

Commentary

50 of the 52 total respondents answered Question 2.

The majority of respondents (30) felt that there would be unintended consequences as a result of the revised agreements. 16 respondents said no, 1 respondent was unsure and another chose not to answer but offered other comments. Of the respondents who said 'yes' the main areas of concern related to rules 9 and 14 of the agreements.

Rule 14

Rule 14.1.3 received the most comments with 15 respondents directly opposing the proposal to publish target information. 26 respondents commented that rule 14.1.3 could allow commercially sensitive or confidential information to be revealed. A similar response was made in reference to rule 14.2 (3 respondents). A further 9 respondents also feel that this decision could raise customer expectations when comparing the data of competing sites and companies with 13 noting that if read in isolation the figures could be misunderstood. 14 felt that publication could affect the transparency and effective setting of target unit targets putting the confidential relationship between a Sector Associations and their operators at risk. A proposal offered to combat was to express the targets as a percentage or round them (4 comments).

9 sectors requested further clarity of the intention of rule 14.1.6 and the publishing process, specifically the point at which publication would take place. 3 responses questioned the publication of targets for 'bubbled' target units and whether the intention was to publish each target separately. 1 sector commented that the information that will be published under Rule 14.1.5 does not add any value and is therefore superfluous.

Rules 9, 10, 11 and 12

11 respondents feel that the time frame allowed for new entrants to join the scheme (Rule 9.2) was unfair and should be reviewed. 10 proposed that the deadline should be extended to the final 12 months of the scheme. The other respondent was less specific and stating the extension should be to 'part-way' through the final milestone period. Of the remaining comments only 3 were made by more than one respondent, 5 asked if rule 9.1.1 refers to the Finance Act and how it will fit with the eligibility regulations, 3 are unclear of the amount of time that will have to pass before the scheme can be rejoined if a site is sold to new owners and 5 have queried the appeals process.

Rules 1, 2, 3, 4 and 13

Only 4 comments specific to these rules received more than one response. The main points raised were that there is no rule obligating target units to pay any sector association charges (12), the process for submitting variations is still unclear and requires further clarification (9), the period of record keeping detailed in rule 13.4 is excessive (5) and the information required under rule 3.6 should also be clarified (5).

Umbrella and Underlying Agreements

6 comments directly referenced the Umbrella and Underlying Agreements. 5 of these were each made by one respondent and the other was made by 6, all of whom state that the requirement of

rule 3.6 is too broad as the meaning level of ‘adequate records’ can be interpreted differently given that ‘adequate’ is a matter of opinion.

Working Days, CCA16 and other comments

2 sectors agreed that the new ‘working day’ timeframes were an improvement due to the increased standardisation however, they also questioned whether this could not be taken further to harmonise all dates as some time periods are not sufficient to the task that is required. 2 of these mentioned by other respondents were the time allowed to distribute targets and fulfil any buy-out obligations (1 each). The CCA16 rule was also only commented on by 2 respondents with 1 questioning whether the rule was still necessary, proposing that it could be replaced with a 75% threshold and the other noting that there was no overt reference to the rule and the prevention of absolute targets.

Any comments made by 1 respondent only are recorded above.

3.3 Question 3

Are there any unintended consequences as a result of the draft Eligibility Regulations ? If yes, please provide evidence to substantiate your views.

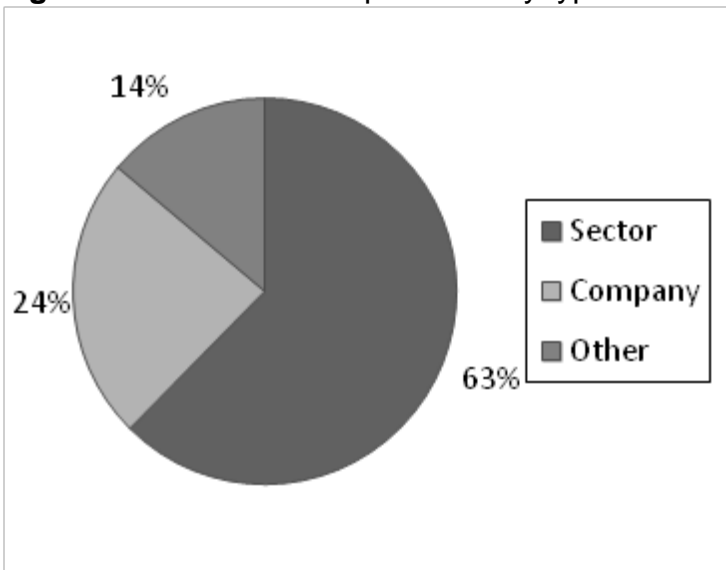
No summary as the consultation period closed before the acTUing document was published.

3.4 Question 4

Are there any unintended consequences of the scheme to close the UK ETR? If yes, please provide evidence to substantiate your views.

49 of the 52 total respondents answered Question 4.

Figure 16: Number of respondents by type



Closure opposed, financial asset and target negotiations

- UK ETR provides compliance at least cost/most efficient (5 – 2 sectors and 3 TUs)
- Penalising business - lose benefit of previous energy efficiency improvements (12 – 7 sectors, 4 TUs and 1 other)
- No compensation (3 sectors)
- Previous improvement efforts should be reflected in target negotiations (1 sector)
- Loss of ability to off-set overachievement should be reflected in target negotiations (1 sector)

Milestone 5

- UK ETR should remain open until Milestone 5/ outstanding audits have been completed (9 – 3 sectors, 5 TUs and 1 other)
- Errors identified could not be rectified - potential 9 month window (10 – 4 sectors, 5 TUs and 1 other)
- Pragmatic to agree all TUs will remain certified to end of scheme (4 – 1 sector, 1 TU and 2 others)

Other comments

- Buy-out mechanism will be more expensive and affect budgets (2 TUs)
- UK ETR allowed organisations to benefit from over performance (1 sector)
- Is there an option for the buy-out mechanism to replicate UK ETR allowance purchasing (1 sector)
- How will Milestone 4 changes be dealt with if UK ETR is closed (1 sector)
- DECC should be flexible with their approach to the management of over/ underachievement of CCA targets (1 sector and 1 TU)
- Closure supported (2 sectors)
- Closure expected (1 sector)
- Decision has been made (1 sector)
- No impact (3 others)
- There has been no discussion of the closure (1 other)

Commentary

49 of the 52 total respondents answered Question 4.

The majority of respondents (25) stated that there would no unintended consequences as a result of closing UK Emissions Trading Register (UK ETR). 20 disagreed, 2 were unsure and 2 did not answer the question, but offered further comments. Of the respondents who said 'yes' the main areas of concern were the loss of financial assets previously gained and the implications for the remainder of the current scheme.

Closure opposed – compliance, financial asset and target negotiations

12 of the 48 respondents feel that the closure of the UK ETR penalises businesses as they will lose the benefit of any previous energy efficiency improvements made and 3 are unhappy that there will be no financial compensation for any allowances that will be surrendered on closure. 5

respondents directly oppose the closure of the Register as they believe this to be the most economical and efficient way of ensuring compliance with the scheme. 2 respondents (1 sector and a TU within that sector) feel that the previous efforts made to reduce emissions and the loss of ability to off-set any overachievement should be reflected in the targets offered for the start of the new CCA scheme.

Milestone 5

9 respondents believe that the Register should remain open either until the end of Milestone 5 (current scheme) or to when all audits for the period have been completed. The same 9 respondents, plus one other, note that if the Register is closed on 30 June 2012, as proposed, there is a potential 9 month window where any errors identified could not be rectified. In light of this, 4 respondents feel that the best approach would be to agree that all Target Units remain certified for the remainder of the current scheme.

Other comments

2 sectors supported the closure of the Register, 3 respondents stated that the closure would have no impact and 1 stated that the closure was expected. Only 1 respondent felt that there had been no previous discussion of the intention to close the Register. Of the remaining comments only 2 were made by more than one respondent. 1 noted that the intended buy-out mechanism for the new scheme will be more expensive than UK ETR and the other requested that DECC is flexible in their approach to management of over/underachievement of CCA targets.

Any comments made by 1 respondent only are recorded above.

3.5 Question 5

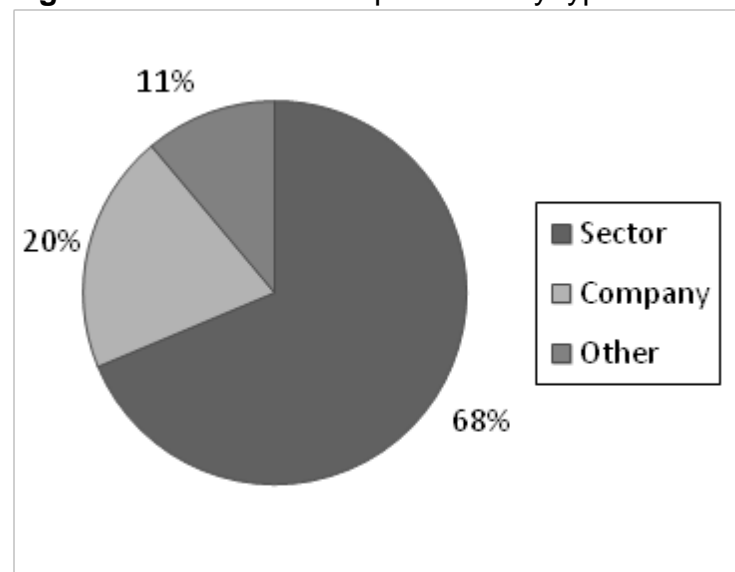
Which of the two new administration charging proposals do you prefer? Please provide evidence to substantiate your views (where appropriate).

See Annex 1 for analysis

3.6 Question 6

Do you have any other kinds of feedstock that you use which should be added to the list in the table above?

44 of the 52 total respondents answered Question 6.

Figure 17: Number of respondents by type**New feedstock**

- Tallow (2 sectors)
- Wood residues, dusts, fibres and trimmings (1 sector)
- Brewers grain (1 sector)
- Poultry litter (1 other)
- Spent mushroom compost (1 other)
- Coffee fines (1 sector)
- Feedstock list should be flexible/remain open/be reviewed in 2016 (4 – 2 sectors, 1 TU and 1 other)

Feedstock

Each comment was made by one respondent

- Solar PV not included in incentivised approach (TU)
- Is Miscanthus included under grasses/straw? - CV figure not representative (Table 1) (Other)
- Is Biogas included under Biomethane? (Table 1) (Sector)
- Clarify CCA scheme will continue to use Gross Calorific Values (Table 1) (Sector)

Zero carbon and Renewable Heat Incentive Phase 1

- Support zero carbon rating - primary fuel input (2 – 1 sector and 1 TU)
- Removing zero carbon status of CHP feedstock is a disincentive to installation and usage (4 – 2 sectors and 2 TUs)
- RHI Phase 1 - biomass tariffs is a disincentive to investment (1 sector)
- RHI Phase 1 - lacks administrative clarity (1 sector)

Renewable Generation Certificates and Paragraph 52 of the consultation document

- CO2 reduction should be used to achieve CCA targets (1 sector)

- Requirement to treat renewable electricity (FiT) as grid electricity is a barrier to investment (1 TU)
- Carbon savings will not be accounted for (2 – 1 sector and 1 TU)
- Treatment of EU ETS biomass energy and emissions unclear (1 TU)
- Investments would not be made if intention was not to use energy efficiently (1 sector)

Other comments

Each comment was made by one respondent

- Guidance for calculating energy from renewable sources is required (Sector)
- Anaerobic Digestion (AD) reporting is ambiguous - actual content or grid electricity (Sector)
- AD Plants - report energy content of gas only? (Sector)
- Electricity generated on site should have primary factor x1 (TU)
- Factors for all target periods should be predetermined (TU)
- Support use of standard 'cv' figures - should represent commercial practice (Other)
- Additional measures should be introduced to encourage uptake of renewables (Sector)
- Proposal GCV values - no issues (Sector)

Commentary

44 of the 52 total respondents answered Question 6.

Responses, new feedstocks and other feedstock comments

The majority of respondents (31) had no other feedstocks to add to the list, 7 were unsure and the 6 respondents said 'Yes'. The feedstocks are listed in above. 19 of the respondents provided further comments alongside their answer and, of these, 4 respondents requested that the list of feedstocks remains one that can be added to at a later date. The remaining comments were each made by one respondent and range from requesting clarity of the calorific values that will be used and the inclusion of specific feedstocks to noting that the use of solar panels/cells has not been incentivised.

Zero carbon, Renewable Heat Incentive Phase 1 and Renewable Generation Certificate

2 of the 19 respondents who added further comments supported the zero carbon rating for primary fuel while conversely to this 4 respondents felt the removal of the zero carbon status for CHP feedstock was a disincentive for its installation and usage. 1 sector commented on Phase 1 of the Renewable Heat Incentive stating that the proposed biomass tariffs are a disincentive to investment and that the administrative process lacks clarity. 2 respondents stated the current rules relating to renewable electricity and feed in tariffs should be relaxed to allow sites to use any CO₂ reduction to achieve CCA Targets. The reasoning for this is to ensure benefit to the grid and that carbon savings are accounted for.

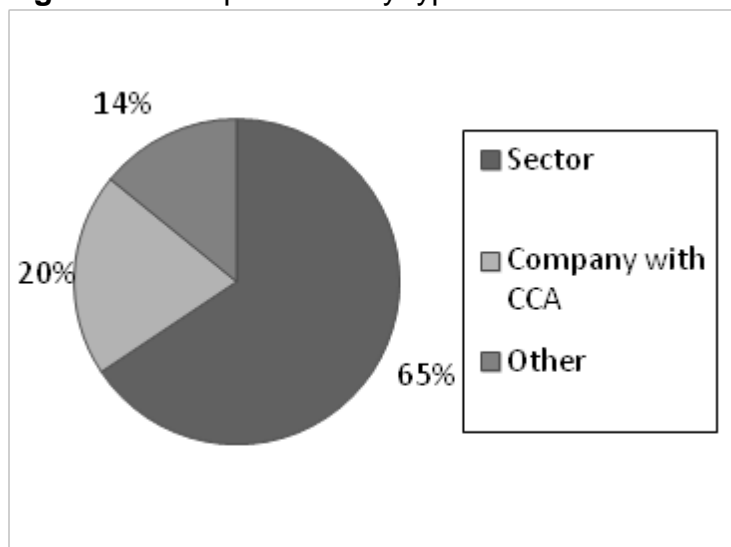
The remaining comments were each made by 1 respondent and are recorded above.

3.7 Question 7

Do you foresee any problems with this approach? Please provide evidence to substantiate your views (where appropriate).

49 of the 52 total respondents answered Question 7.

Figure 18: Respondents by type



Points for, and number of respondents raising these points

Each comment was made by one Sector Association

- If carefully managed, this should be relatively straightforward
- Encourages energy-efficiency (outweighs added complexity)

Points against, and number of respondents raising these points

All comments were made by Sector Associations

- Unsure of feasibility/lack of or no incentive for renewable electricity (13)
- Sub-sectors – increased workload (1)
- Single sector targets simpler (5)
- Single sector targets simpler (serious complications from proposal) (1)

Other Comments

- Treat all renewable heat consistently (zero rating) (13 – 11 sectors, 1 TU and 1 other)
- Sub-sectors to consult TU before choosing (1 sector)
- Inconsistent with Paragraph 53 – target currency (1 sector)
- Further/clear guidance needed on potential change to target currency at 2016 target review (5 – 2 sectors, 2 TUs and 1 other)
- Primary energy reporting – prefer (1 sector)
- Suggestion – use actual fuel calorific values and reference the source of the data (BIOMASS Energy Centre) (1 sector)

- Recording energy consumption - further discussion required at target bi-lateral meetings (3 – 2 sectors and 1 TU)
- Allowing actual primary factor to be applied would encourage uptake of renewable power (1 sector)
- Proposal – common annual reporting – in line with the CRC (based on energy) (1 other)
- Multiple target currencies in sector (4 – 3 sectors and 1 TU)
- Target negotiations lengthened from proposal? (3 – 1 sector and 2 TUs)
- Difference in sub-sector targets justified? (1 sector)
- Paragraph 52 – exclusion of biomass fuel energy – clarity needed (4 – 1 sector and 3 TUs)
- Removing wording of ‘Zero energy’ – support (1 sector)
- Carbon targets – how will these be calculated? (1 sector)
- Calculating emissions – care needed by EA (1 sector)

Commentary

There were a total of 20 comments from respondents regarding possible problems from having separate energy and carbon sub-sectors. 13 respondents were unsure of the feasibility of the proposal, many of which did not expect a high level of investment in renewable heat and having separate sub-sectors would mean companies would be required to commit to installing such projects (hence agreeing to higher percentage carbon saving targets). 5 respondents preferred to have single sector targets as they were simpler, one respondent stated that sub-sectors would increase the workload for Sectors, DECC and EA, and one respondent said there were serious implications in Sectors negotiating targets for two different sub-sectors.

There were only 2 comments specifically made in favour of this proposal. One respondent stated the process should be relatively straight forward, whilst another said the potential added complexity is minimal when compared to the encouraged energy efficiency and absolute carbon reduction it brings.

There were a total of 37 other comments for Question 7. The main emphasis (13 respondents) was for all renewable heat and renewable electricity to be treated consistently by both having a zero rating, as not having this would create a disadvantage for those companies with an energy target from investing in renewable technology. Many of these respondents commented that renewable electricity, if generated on site, should also be allowed to contribute to meeting a carbon based target and that its conversion to primary energy is 1 rather than 2.6.

Of all other observations, 5 respondents needed further or clear guidance on potential change to target currency at 2016 target review. 4 respondents stated that there are already multiple target currencies in their respective sectors or that Target Units subject to the EU ETS mean split targets may have to be incorporated. 3 respondents questioned whether target negotiations would be lengthened by going forward with this proposal, and another 3 respondents needed a further discussion at the bi-lateral meetings to decide the best way to record energy consumption data. One sector supported the use of actual fuel calorific values and reference the original source of the data (BIOMASS Energy Centre) should be made in case these figures change.

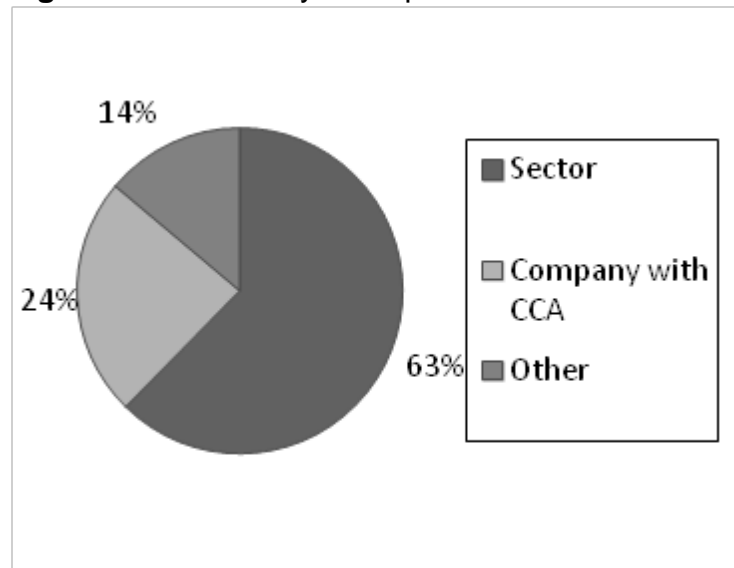
4 respondents stated that Paragraph 52 is not clear enough regarding the treatment of EU ETS biomass energy and emissions, as there are different elements to their emissions which should be excluded from CCA targets. The remaining comments, which were each made by 1 respondent, are recorded above.

Question 8

Which option do you prefer? Please provide evidence to substantiate your views (where appropriate).

51 of the 52 total respondents answered Question 8.

Figure 19: Summary of responses for Question 8



Options voted for

- Option 1 – 14 respondents (27%)
- Option 2 - 14 respondents (27%)
- Option 3 - 5 respondents (10%)
- None - 0
- Other Suggestion – 18 respondents (35%)

Points for option 1, and number of respondents raising these points

- Gives degree of certainty and allows forward planning (5 – 4 sectors and 1 TU)
- Simple/confidentiality benefits/reduce admin burden (7 – 2 sectors, 4 TUs and 1 other)
- For Option 1 and 3 – Support the alignment of emissions factors (6 – 5 sectors and 1 TU)

Points against option 1, and number of respondents raising these points

- Possible divergence in assumed versus actual carbon intensity (1 sector)

Points for option 2, and number of respondents raising these points

- Emissions factors fixed from sign up onwards; predictable, transparent and provides certainty – no cost divergence and removes potential unfairness of TUs not meeting targets (13 – 7 sectors, 5 TUs and 1 other)

Points against option 2, and number of respondents raising these points

- Confusion in publishing figures (4 – 1 sector, 2 TUs and 1 other)

- No advantage in publishing fixed and restated emissions (1 sector)

Points for option 3, and number of respondents raising these points

- Reporting 2 year target period with different emissions factors is not a problem (1 sector)
- For Option 1 and 3 – Support the alignment of emissions factors (6 – 5 sectors and 1 TU)
- Annual figures (for sector) already recorded (1 sector)
- Reduces complexity – alignment with other schemes (2 others)

Points against option 3, and number of respondents raising these points

- Lack of certainty – uncontrollable risk in divergence between projected versus actual decarbonisation (1 sector)
- Two-stage process for reporting allowances – complicated (2 TUs)

Other points and number of respondents raising these points

Emissions Factors

- Variation of Option 1 – Have varying emissions factors every Milestone, but factors set Target Setting and entire scheme (12 – 11 sectors and 1 TU)
- Target profile fixed (so TUs will have confidence to invest in energy efficiency measures) (2 sectors)
- Option 2A discussed – 5 Milestone average of emissions factors (1 other)
- Require certainty – factors (constant reporting needed, not annual/bi-annual average) (1 other)
- Two year time lag with Milestone emissions factors – with proper planning, this lag will not be needed (1 sector)

Primary Energy Accounting

- Energy conversion factors – alignment with reporting factors (2 sectors)
- Primary energy accounting – prefer to keep (4 – 3 sectors and 1 TU)
- Primary energy accounting – on delivered basis (3 – 1 sector and 2 TUs)
- Primary energy accounting – clarity needed on 2.6 energy factor (4 – 2 sectors and 2 TUs)

Other Comments

All comments were made by Sector Associations

- Introduce PMOA (1)
- Prefer relative targets (2)
- 'Biennial' should read 'bi-annual' (1)
- Difference between draft rules (6.4.2) and Condoc – use CO₂e or CO₂ for greenhouse gas reporting? (1)
- Reporting guidelines – includes factors for other scopes? (for extraction and refining of fuels) (1)
- Alignment with CRC/EU ETS not easy (1)
- Energy to carbon conversion (Registry) – impractical (carbon factors for non-standard fuels) (1)

Commentary

Of the total 82 respondent comments on question 8, 58 comments placed emphasis on certainty being required in the new scheme. The most frequent issues raised were reporting periods and emissions factors. 13 respondents favoured Emissions Factors to be fixed for the entire scheme for both Target Setting and reporting milestones (Option 2), as this would be the simplest or most cost effective choice and provide certainty for Target Units when reporting data. Option 2, therefore, was seen by 4 respondents to counter the aims of simplification as publishing fixed and varying factors together would be confusing, and 1 respondent stated there was no advantage with this method.

12 respondents wanted to see a variation of option 1 with regard to Emissions factors, where the factors are updated every Milestone but are set for the entire scheme (i.e. not reviewed at 2016). Most of these respondents stated that this would provide Target Units with forward planning to invest in energy efficiency or carbon saving projects. A further two respondents stated that a fixed target profile would give companies the confidence to invest in these measures. 6 respondents showed specific support for option 1 and option 3 with regard to alignment of emissions factors with Defra / DECC GHG emissions factors, although two respondents commented that reporting every year (under option 3) would be complicated and involve a two-stage process.

7 respondents commented that Option 1 was also seen as a good choice for reducing administrative burdens; especially regarding reporting in two year blocks instead of every year. 5 respondents also commented that, as well as giving a degree of certainty, option 1 allowed forward planning. However, two respondents noted that using the forecast 33% reduction in carbon intensity for electricity against the GHG reporting guideline figures may cause a divergence in assumed versus actual carbon intensity over time.

13 comments out of the total 82 made for question 8 were focused towards Primary energy accounting. Four respondents preferred that Primary energy accounting be kept, and 4 respondents also questioned the use of the 2.6 primary energy factor and whether this was to be reviewed, reasoning that using a 'consumed factor' instead would mean the 2.6 multiplication figure is not needed. Three respondent requested Energy to be accounted on a delivered basis, while two respondents requested that energy conversion factors be aligned with reporting factors.

Two respondents had preference for relative targets. The remaining comments were made by one respondent each and are recorded above.

Annex 1 - Climate Change Agreements consultation feedback - Charging proposals

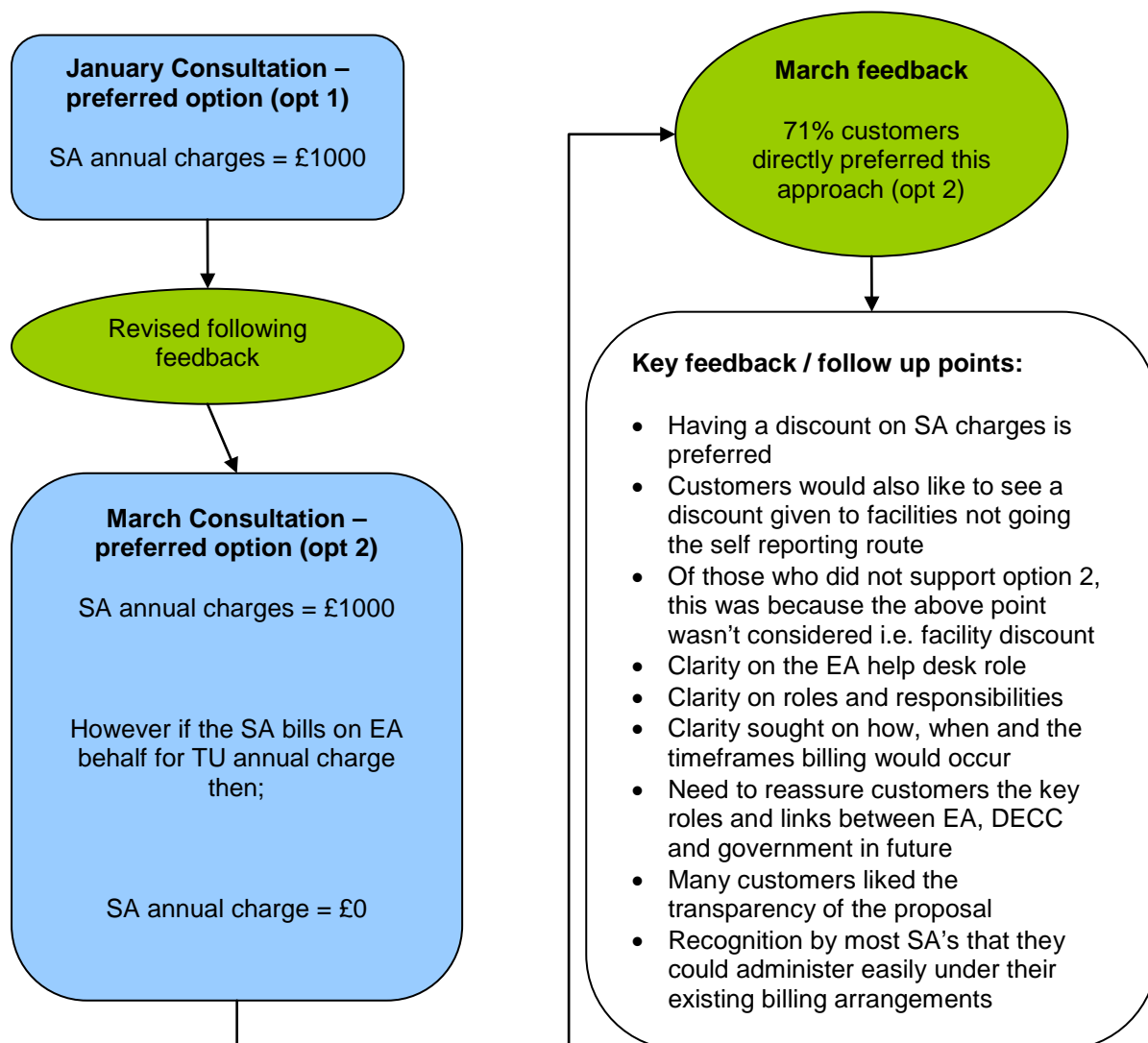
Introduction

This document will summarise the two DECC consultations which have featured the new Environment Agency charging proposals for the Climate Change Agreements scheme from April 2014. Page 1 covers the overall summary of the responses and key actions and recommendations going forward. Further pages cover a more in-depth summary of the responses. The recommendations for this document come from the collated responses from the March consultation which closed on 25 May 2012.

Consultation summary

The diagram below summarises the preferred options (in blue) from both consultations, the responses, key feedback and follow up points from the conclusion of the March consultation.

There were a total of 49 responses to the consultation, split between Sector Associations (61%), CCA (24%) customers and consultants (15%).



Recommendations for the final CCA charging proposal

- Most customers preferred option 2 from the March consultation – EA should implement this as the final proposal but also investigate;
- The potential to create two levels of facility charge to identify between TU's who report through their SA and ones who self report direct to EA

Detailed consultation analysis of raw data

Consultation Proposals

The two charging proposals are shown below. The options which have received the most positive feedback are highlighted in green. The document will go on to further analyse the feedback received and highlight specific comments relating to the proposals both for and against.

January consultation proposal

	Option 1	Option 2
Sector Association annual charge	£1000	£1000
TU annual charge (including variations)	£370 per target unit	£350 per target unit
Variation charge	£0	£75 per variation

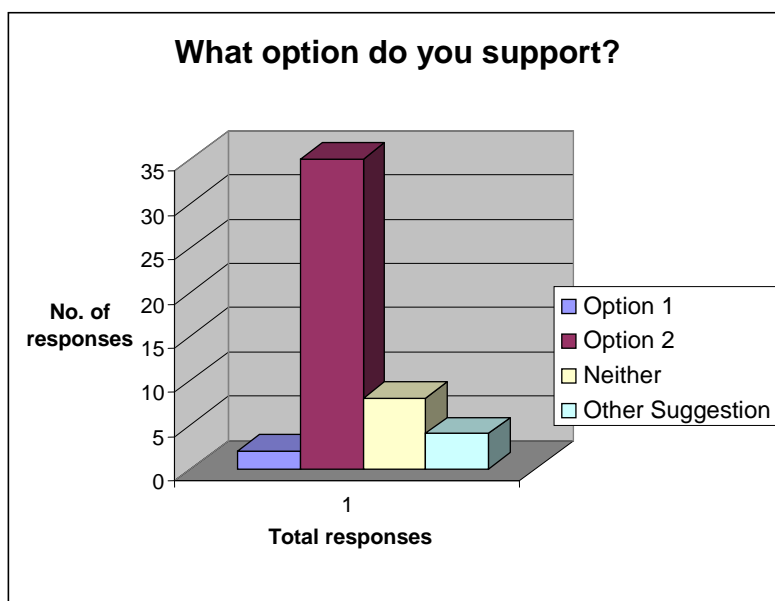
Feedback from the January consultation suggested there was a clear preference was to include variations within the annual charges for TU's. There was a preference to include a discount for the Sector Association if it acted on behalf of the Environment Agency to collect its annual fees. It was also recognised that billing per TU (independent of the number of facilities) was not transparent and will therefore create a different level of charging per TU depending on its size. Additionally, if many TU's started to "bubble up" then there would be a risk that the Environment Agency would not be able to fully recover its costs.

Following those comments, a new proposal was developed for the March consultation. This included a discount for Sector Associations if they act on behalf of the administrator by collecting annual fees from Target Units and moved the TU charge to reflect the number of facilities within a TU rather than a standard TU fee. It also included rolling the variation charge into the annual fee.

March consultation proposal

	New Option 1	New Option 2
	Where the SA does not recover the charge on behalf of the administrator	Where the SA recovers the charge on behalf of the administrator from majority of its members
Sector Association annual charge	£1000	£0
TU annual charge (includes variations)	£185 per facility	£185 per facility

There were a total of 49 responses given in the March consultation on the new charging proposals. The raw data for these is shown in the bar chart below which summarises support for each option. These responses were collated across Sector Associations, Target Units, independent consultants and trade bodies.

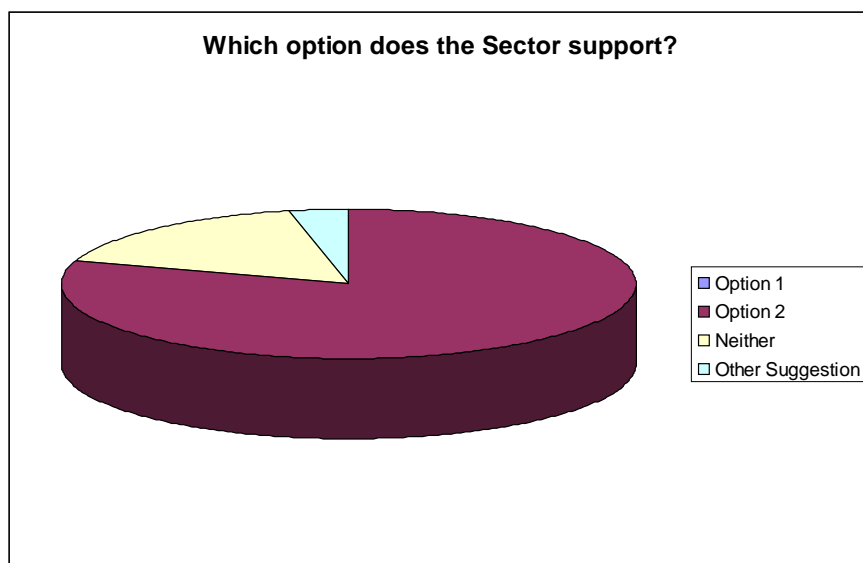


There was a clear support towards option 2 in the March consultation with over 71% of the feedback confirming this. The next closest response was 16% towards neither option with support for the January proposal or general negative feedback regarding the need for the change in administration of the scheme. The feedback does vary across the different respondents and is summarised for each below.

Sector Associations

The Sector Associations made up over half of the responses to the consultation with a total of 30 out of the 49. Their preferences are shown in the table and pie chart below.

Which of the two new administration charging proposals do you prefer? Please provide evidence to substantiate your views (where appropriate).			
Option 1	Option 2	Neither	Other Suggestion
0	24	5	1



The SA responses gave an overwhelming preference – **80% towards option 2**. Of that 80%, the following comments were made in addition to the option 2 preference;

- Many would like to see a discount given to facilities if they are going through their SA (this is in addition to the SA discount) – this is quite widely supported but recognised it creates complexity
- One SA opposed a facility level discount – due to increased complexity
- There is a general worry about how self reporting TU’s will be managed (issues go wider than charging proposal) – EA costs and SA costs raised
- Many stated it will be simple for them to administer by adding the TU charge to their current invoicing system
- General agreement that this proposal will create efficiencies
- Give an improved relationship for the SA and TU
- Clarity was sought on the EA’s future helpdesk role
- Clarity sought as to how and when the EA would invoice the SA as well as how and when it would expect payment so the SA can plan
- One SA raised concern on their extra time spent in invoicing and think the EA could do this more efficiently

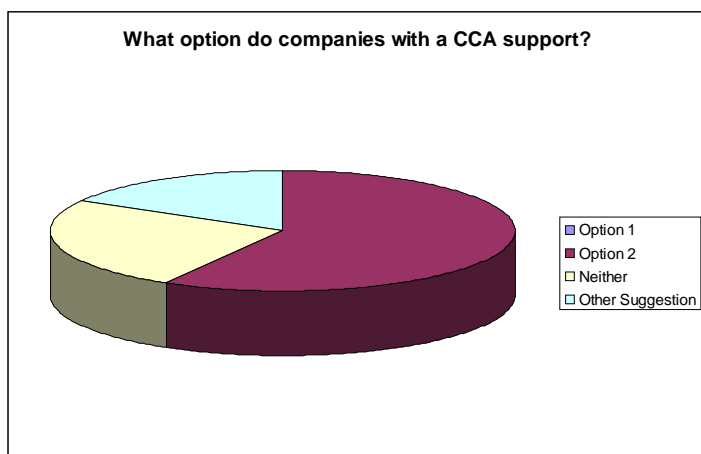
Of the **20% who did not select option 2** as their preference for the new charging proposal, the following comments were given;

- One SA preferred the proposal from the first consultation – no reason given
- One SA did not believe that the proposal gave any significant saving to the TU and that any saving for using the SA should be significant
- General suggestion to remove the SA charge and vary charges on facilities against its use of SA or not
- Two SAs did not want the EA to become the administrator due to loss of government interaction with facilities and sectors however did suggest a preference for all discounts to be passed to the facilities

Companies with a CCA

A total of 12 companies that currently have a CCA responded out of the total 49 responses.

Which of the two new administration charging proposals do you prefer? Please provide evidence to substantiate your views (where appropriate).			
Option 1	Option 2	Neither	Other Suggestion
0	7	3	2



The feedback in favour for option 2 was lower from companies with a CCA was 58%. Further comments to support this were as follows and were generally weighted towards their individual TU view;

- Believes it makes the system fair, proportionate and not designed for profit
- Welcomed the system and will help reduce the administrative burden

Of the remaining 42%, split between neither option or another suggestion, the comments were as follows;

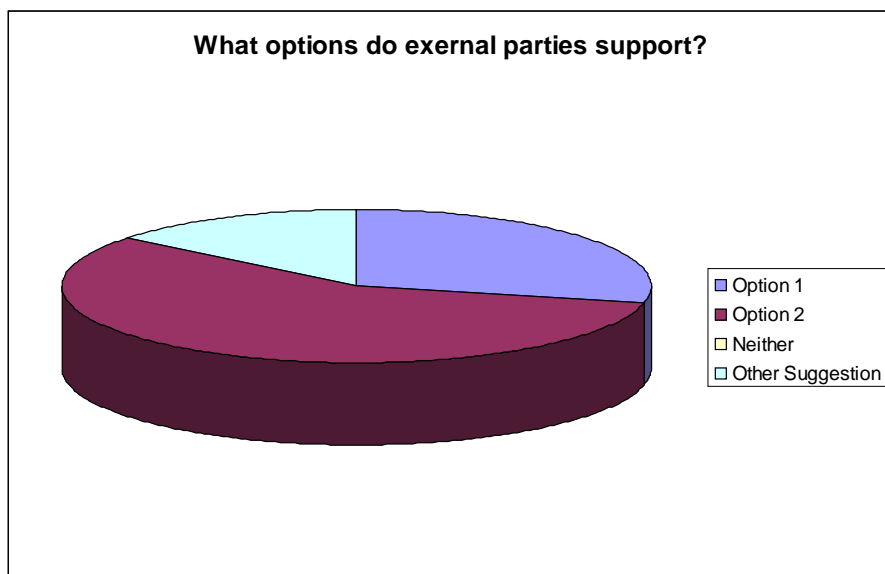
- Did not want the EA to become the administrator due to loss of government interaction with facilities and sectors however did suggest a preference for all discounts to be passed to the facilities

- There should be more benefit given to the TU if it is going through its SA
- No comments given on charging but stated it would wait to defer to SA Guidance on charging
- Preference on charging scheme in January but understands why charges should be linked to individual facility – suggested a cap however i.e. stop charge at x facilities
- Remove all SA charges and put all administration costs onto TU

External Parties (consultants and industry bodies)

A total of 7 companies and industry bodies that weren't part of a sector or held a CCA.

Which of the two new administration charging proposals do you prefer? Please provide evidence to substantiate your views (where appropriate).			
Option 1	Option 2	Neither	Other Suggestion
2	4	0	1



Of those responses, 4 out of the 7 (57%) were keen on option 2 and 2 were favourable to option 1 where a charge would always be levied on the SA for its annual charge. No new reasoning was given for these options selections as mentioned above but all bar one of the 7 were favourable towards a new charging scheme which is fair and propitiate.

The only other key comments from this group were from the “Other suggestion” section which that respondent suggested from their analysis that the fee structure (in their estimate and view) would not levy enough money to support Environment Agency operations. This view was based on the potential for self reporting TU’s and its impact on administrator activity. They also made a recommendation that the SA charge was not high enough to effect the true work done by the EA and actually this should be raised to reflect this. There was recognition that a reduced facility charge should be levied where they are going through their SA.

Annex 2a: List of respondents – Climate Change Regulations 2012 and the Scheme Administration Charges: opportunity to comment

Sector Associations

Agricultural Industries Confederation
Aluminium Federation
Association of Wallcovering Manufacturers
British Beer and Pub Association
British Calcium Carbonates Federation
British Cement Association
British Compressed Gases Association
British Glass Manufacturers Confederation
British Leather Confederation
British Lime Association
British Meat Federation
British Non-Woven Manufacturers Association
British Poultry Council
British Printing Industries Federation
British Soft Drink Association
Chemicals Industry Association
Cleveland Potash Ltd
Confederation of British Metal Forming
Dairy UK
Food and Drink Federation
Food Storage and Distribution Federation
Gypsum Products Development Association
Maltsters Association of Great Britain
Metal Packaging Manufacturers Association
Mineral Wool Energy Savings TU (MINESCO)
Non-Ferrous Alliance
Packaging and Industrial Films Association
Paper Federation of Great Britain
Slag Grinders Sector Ltd
Society of Motor Manufacturers and Traders
Spirits Energy Efficiency TU
Surface Engineering Association
Target 2010
UK Renderers Association
UK Steel Association

Companies with CCAs

Tarmac

Other

EDF

Annex 2b: List of respondents – Climate Change Agreements: delivering simplification in the New scheme

Sector Associations

Agricultural Industries Confederation
Aluminium Federation
British Beer and Pub Association
British Calcium Carbonates Federation
British Ceramic Confederation
British Cement Association
British Coatings Federation
British Compressed Gases Association
British Glass Manufacturers Confederation
British Meat Federation
British Plastics Federation
British Poultry Council
British Printing Industries Federation
British Soft Drink Association
Chemicals Industry Association
Cleveland Potash Ltd
Confederation of British Metal Forming
Dairy UK
Food and Drink Federation
Food Storage and Distribution Federation
Gypsum Products Development Association
Kaolin and Ball Clay Association
Maltsters Association of Great Britain
Metal Packaging Manufacturers Association
Mineral Wool Energy Savings TU (MINESCO)
Non-Ferrous Alliance
Packaging and Industrial Films Association
Paper Federation of Great Britain
Society of Motor Manufacturers and Traders
Spirits Energy Efficiency TU
Surface Engineering Association
Wood Panel Industries Federation

Companies with CCAs

AstraZeneca UK Ltd
Cemex UK Operations Ltd
Discovery Foods
Formica Ltd
Glaxo Smithkline R&D
Hanson Building Products
Hanson Cement
Ibstock Brick Ltd
Knauf UK GmbH
Tarmac
Tata Steel UK Ltd
Toyota Motor Manufacturing UK Ltd

Other

ADS Group Ltd

EEF

ESTA Energy Services and Technology Association

FEC Services Ltd

M&C Energy Group

UK Emissions Trading Group

www.EnergyElephant.Com

www.ukace.org

Annex 3 – Climate Change Agreements: delivering simplification in the New scheme – full list of questions

1. Are there any unintended consequences as a result of the proposal to terminate for a failure to meet targets? If yes, please provide evidence to substantiate your views.
2. Are there any unintended consequences as a result of the revised agreements for the CCA scheme, including the Rules? If yes, please provide evidence to substantiate your views.
3. Are there any unintended consequences as a result of the draft Eligibility Regulations ? If yes, please provide evidence to substantiate your views.
4. Are there any unintended consequences of the scheme to close the UK ETR on 30 June 2012? If yes, please provide evidence to substantiate your views.
5. Which of the two new administration charging proposals do you prefer? Please provide evidence to substantiate your views (where appropriate).
6. Do you have any other kinds of feedstock that you use which should be added to the list in the table above?
7. Do you foresee any problems with this approach? Please provide evidence to substantiate your views (where appropriate).
8. Which option do you prefer? Please provide evidence to substantiate your views (where appropriate).

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