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**Second Consultation on the Form and Content of New Climate Change Agreements**

**Consultation Response Form**

**How to Respond**

1. Please use this form when responding to the Second Consultation on the Form and Content of New Climate Change Agreements. Both the Consultation Document and this form can be downloaded at:

<http://www.decc.gov.uk/en/content/cms/consultations/open/open.aspx>

1. If for any reason you are unable to use this form, please submit your comments in writing, heading each response with the number and the text of the question to which you are responding.
2. To facilitate analysis of responses, we would be grateful if you could send your response in electronic format (**word document**) to:

[ccaconsultation@decc.gsi.gov.uk](mailto:ccaconsultation@decc.gsi.gov.uk).

Please mark in the subject field of your e-mail “**Response: Second Consultation on the Form and Content of New Climate Change Agreements**”.

1. If you are unable to reply electronically, please send a hard copy to:

Sam Lutterodt

Department of Energy and Climate Change

Climate Change Agreements Team

Area 1A

3 Whitehall Place

London

SW1A 2AW

Enquiries: 0300 068 5302

1. Respondents in Scotland, Wales and Northern Ireland are invited to copy their submission to the appropriate Devolved Administration:

**Scotland**

By email: [james.simpson@scotland.gsi.gov.uk](mailto:james.simpson@scotland.gsi.gov.uk)

By Post: James Simpson

Energy Efficiency & Microgeneration Team

The Scottish Government

4th Floor, 5 Atlantic Quay

150 Broomielaw

Glasgow G2 8LU

Enquiries: 0141 244 1068

**Wales**

By email: [Ruth.Gow@wales.gsi.gov.uk](mailto:Ruth.Gow@wales.gsi.gov.uk)

By Post: Ruth Gow

Climate Change and Water Division

Department for Environment, Sustainability and Housing

Welsh Assembly Government

Cathay Park

Cardiff CF10 3NQ

Enquiries: 029 20823615

**Northern Ireland**

By E-Mail: [Keith.Brown@doeni.gov.uk](mailto:Brendan.forde@doeni.gov.uk)

By Post: Climate Change Unit

Climate & Waste Division

2nd Floor

Calvert House

23 Castle Place

Belfast

BT1 1FY

Enquiries: 028 9025 4735

1. The closing date for the submission of views is 17:00 on 15 February 2010.
2. Any queries relating to this consultation should be sent by e-mail to:

[ccaconsultation@decc.gsi.gov.uk](mailto:ccaconsultation@decc.gsi.gov.uk)

Please mark the subject field of your e-mail “**Query: Second Consultation on the Form and Content of New Climate Change Agreements**”. Alternatively, queries may be addressed by post to Sam Lutterodt at the above address.

**Part 1: General Information**

Please provide details of your organisation/company/sector association below (please note: DECC’s confidentiality statement related to this consultation can be found in the Consultation Letter to which this response form is attached).

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| --- |
| Name |
| Sector |
| Organisation / Company /Sector Association |
| Job Title |
| Address |
| Email |
| Telephone |
| Fax |

**QUESTIONS**

**Section II: Proposed Package of Changes**

1. Do you consider this package to be balanced? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost.

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1. Are there any linkages between the elements of the proposed package that have not been taken into consideration and which present problems of implementation or any consequences that derive from the package as a whole that do not derive from the individual parts? [Please tick yes or no and use the box below for any additional comments]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

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**Section III: Consideration of the Individual Elements of the Package**

**A. Sector Targets to be Absolute, Target Units to Choose Between Absolute and Relative Targets**

**Current Climate Change Agreements**

Targets units allowed the choice between absolute and relative targets. Sector targets determined by the currency of the majority of the energy used in the target units within the sector.

**Proposed Changes**

No change

[See paragraphs 28 to 40 of consultation document]

1. Do you agree with the analysis in paragraphs 30 to 40 of the Consultation Document? [Please tick one box and use the box below for any additional comments]

|  |  |  |
| --- | --- | --- |
| |  | | --- | |  |  * Yes |  |
| |  | | --- | |  |  * No |  |
| |  | | --- | |  | |  |

1. Do you agree that to ensure that CCAs deliver absolute emission reductions without absolute targets, future CCA targets will need to be set at a level to counterbalance the effects of growth at sector level? [Please tick one box and use the box below for any additional comments]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

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**B. Targets to be set annually.**

**Current Climate Change Agreements**

Targets set biennially, those meeting targets qualifying for Levy discount for the following two years.

**Proposed Changes**

Targets to be set annually, from 2012 to 2015, those meeting targets qualifying for Levy discount for the following year.

[See paragraphs 41 to 45 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**C. Targets for 2014 and 2015 to be reviewed in 2012**

**Current Climate Change Agreements**

Targets reviewed in 2004 and 2008.

**Proposed Changes**

Targets for 2014 and 2015 to be reviewed in 2012.

[See paragraphs 46 to 47 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**D. To benefit from Levy discount, all target units must meet targets either directly or through the purchase of carbon allowances**

**Current Climate Change Agreements**

Target units in sectors that meet targets are deemed to have met targets irrespective of individual performance.

**Proposed Changes**

All target units to be required to meet their targets either by direct action or by purchase of allowances.

[See paragraphs 48 to 51 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |
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1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**E. Risk management to be through purchase of carbon allowances only**

**Current Climate Change Agreements**

Three risk management tools: purchase of carbon allowances; provisions on regulatory constraints; provisions on fuel supply disruption.

**Proposed Changes**

Risk management to be limited to purchase of carbon allowances only.

[See paragraphs 52 to 54 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**F. Compliance to be through the purchase of EU ETS allowances or Certified Emission Reductions; over-achievement may be banked for own use only against future targets; UK ETS to close with the cancellation of all remaining allowances**

**Current Climate Change Agreements**

Carbon trading through the UK ETS.

**Proposed Changes**

Compliance with negotiated targets through purchase of EU ETS allowances or Certified Emission Reductions\*. Target units to be allowed to bank over-achievement for OWN USE ONLY against future targets. UK ETS to be closed and all remaining allowances cancelled.

[See paragraphs 55 to 63 of consultation document]

\*The Government is still considering the relative merits of allowing cancellation of EU ETS allowances or Certified Emission Reductions.

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
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| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**G. Introduction of provisions on *de minimis* and materiality**

**Current Climate Change Agreements**

No *de minimus* or materiality provisions.

**Proposed Changes**

Introduction of *de minimus* and materiality provisions.

[See paragraphs 64 to 66 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**H. Novem procedure for setting relative targets and measuring performance against them to apply to relevant target units on an obligatory basis**

**Current Climate Change Agreements**

Novem procedure applied to relevant sectors and target units for setting relative targets and measuring performance.

**Proposed Changes**

Novem procedure to continue to apply for relevant sectors and target units for setting relative targets and measuring performance, but with application obligatory.

[See paragraph 67 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have with the evidence base for it, and your analysis of the impact of your proposal on the overall balance of the package.

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**I. Climate Change Agreement targets to be split into two elements: a requirement to meet any EU ETS obligation; and a negotiated target.**

**Current Climate Change Agreements**

Where there is overlap between Climate Change Agreements and EU ETS a double counting mechanism is applied.

**Proposed Changes**

Climate Change Agreement targets to be split into two elements: a requirement to meet any EU ETS obligation through that scheme; and a negotiated target. Only over-achievement against the negotiated target can be banked by target units for own use against future targets (see proposal F). Eligibility for Levy discount to remain unchanged.

[See paragraphs 68 to 71 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**J. To revise the 90/10 rule and establish a new threshold of 70%**

**Current Climate Change Agreements**

Where the eligible energy of a facility is 90% or more of the energy use of the site, the energy use of the entire site is deemed eligible. Where the eligible energy of a facility is less that 90% of the energy use of the site, only the eligible energy may qualify for Levy discount with, under certain conditions, up to an additional 1/9th.

**Proposed Changes**

To re-set the threshold to 70% and retain the provision for the additional 1/9th.

[See paragraphs 72 to 76 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**K. To establish one type of agreement only, based on the current “Option 2” agreement.**

**Current Climate Change Agreements**

Two types of agreement based on the so-called “Option 2” and “Option 3” agreements.

**Proposed Changes**

One type of agreement only, based on the current “Option 2” agreement.

[See paragraphs 77 to 78 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**L. All target periods to be on a calendar year basis with suitable adjustments to the deadlines for reconciliation and Levy discount period**

**Current Climate Change Agreements**

Sectors allowed to chose a target period starting on 1 October, 1 November, 1 December or 1 January.

**Proposed Changes**

All target periods to be on a calendar year basis with suitable adjustments to the deadlines for reconciliation and Levy discount period.

[See paragraphs 79 to 80 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
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| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**M. All sectors to provide the same information at reconciliation, including the effective trading position of all target units, whether meeting targets or not**

**Current Climate Change Agreements**

Sectors failing to meet targets required to provide more detailed information at reconciliation than sectors that pass.

**Proposed Changes**

All sectors to provide the more detailed information at reconciliation.

[See paragraphs 81 to 82 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have with the evidence base for it, and your analysis of the impact of your proposal on the overall balance of the package.

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**N. Establish Scheme Rules with the content of the agreements limited to that which is necessary to establish the relationship between the parties to the agreements.**

**Current Climate Change Agreements**

Most rules of the scheme embodied in the agreements themselves.

**Proposed Changes**

Establish Scheme Rules, linked to the agreements through a suitable clause, with the content of the agreements limited to that which is necessary for the relationship between the parties to the agreements.

[See paragraph 83 of consultation document]

1. Do you agree with this proposal? [Please tick one box]

|  |  |  |
| --- | --- | --- |
| * Yes | |  | | --- | |  | |
| * No | |  | | --- | |  | |

1. If not, please set out your reasons why, including the administrative burden and financial cost, and any alternative proposal you may have **with the evidence base for it**, and your analysis of the impact of your proposal on the overall balance of the package.

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**Section IV: Other Issues Covered by the First Consultation Document**

1. Please provide any comments on Section IV of the Consultation Document.

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