



H2 Energy Efficiency Guidance amendments

A summary of consultation responses

June 2014

We are the Environment Agency. We protect and improve the environment. Acting to reduce the impacts of a changing climate on people and wildlife is at the heart of everything we do.

We reduce the risks to people, properties and businesses from flooding and coastal erosion.

We protect and improve the quality of water, making sure there is enough for people, businesses, agriculture and the environment. Our work helps to ensure people can enjoy the water environment through angling and navigation.

We look after land quality, promote sustainable land management and help protect and enhance wildlife habitats. And we work closely with businesses to help them comply with environmental regulations.

We can't do this alone. We work with government, local councils, businesses, civil society groups and communities to make our environment a better place for people and wildlife.

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1. Introduction

Article 14 (5-8) of the Energy Efficiency Directive (EED) places a requirement on operators of combustion and energy from waste plants greater than 20 MW thermal input to carry out a cost-benefit assessment (CBA) of opportunities for combined heat and power or recovery of waste heat from industrial processes.

This consultation was on draft Environment Agency guidance which tells operators how to comply with the CBA requirements.

2. How we ran the consultation

We ran the consultation for 12 weeks from 3 March to 11 April 2014.

We consulted stakeholders using our online e-consultation tool. We also held a number of meetings with stakeholders to discuss their feedback on the draft guidance.

We received 15 responses in total, of which 6 were from operators, 8 from trade bodies and 1 from Friends of the Earth.

3. Summary of key findings and actions we will take

The main comments from the consultation related to clarification around the circumstances of when a CBA will be required and detail on the parameters which should be included in the CBA. We will consider these and revise the draft guidance where necessary.

4. Responses to questions one to four and our response to these

Question 1: Do you agree with the proposed scope, general approach and principles of the CBA?

Summary of key points raised	Our response
Concerns over requirement to implement scheme shown by CBA to be commercially viable when there may be barriers to doing this.	The directive allows flexibility on this and we will take a pragmatic approach to its implementation.
Concerns over the burdens on business and impacts of possible delays to projects etc.	Defra have carried out a separate consultation on the implementation of Article 14, including an impact assessment.

Question 1 cont'd.

Summary of key points raised	Our response
Comments that the CBA model may be too simplistic	Guidance will make clear that operators can submit additional modelling if required, including sensitivity analysis.
Questions around the meaning of “waste heat”, and “useful temperature”.	Guidance will be amended to clarify this.
Comments that the default discount rate in the CBA spreadsheet may not be appropriate.	The guidance gives the flexibility to use a different discount rate with justification if required.
Other comments about the scope and principles of the CBA	We will consider these and revise the guidance if required.

Question 2: Do you think that all parameters necessary for the CBA have been included in the proposal?

Summary of key points raised	Our response
CBA needs to include flexibility to specify alternative project lifetimes.	This will be included in the revised guidance.
CBA needs to take into account the effect that the reduced flexibility of electricity generation may have on the power price and uncertainties around prices in general.	This will be included in the revised guidance including the ability to carry out sensitivity analysis around key parameters.
CBA needs to take into account that the efficiency of cogeneration can vary.	An average figure can be used.
Other comments about the inclusion and values of different parameters	We will consider these and revise the guidance if required.

Question 3: Do you think that any of the parameters proposed for inclusion in the CBA are not required?

Summary of key points raised	Our response
Various costs have not been listed separately in the CBA whereas others have been.	The guidance will make clear that any costs not listed can be included under the OPEX or CAPEX costs within the CBA.

Question 4: Do you agree with the proposals regarding who supplies the values for the different parameters?

Summary of key points raised	Our response
Greater flexibility for operators to provide their own values is required.	CBA template will be amended to allow this.

5. Next Steps

Responses from this consultation will be used to inform the development of the H2 guidance.

Individuals who wish to follow up their responses, or points made within this document, in more detail are welcome to contact us:

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6. Annexes

List of respondents:

Scottish and Southern Energy

EDF

Thames Water

Wheelabrator Technologies

EON

British Glass

Energy UK

UK Petroleum Industry Association

Confederation of Paper Making Industries

Mineral Products Association

Society of Motor

British Glass Manufacturers Federation

Society of Motor Manufacturers and Traders

Chemical Industries Association

Combined Heat and Power Association

Friends of the Earth

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