



# West Lothian Council

## COUNCIL EXECUTIVE

### CARBON REDUCTION COMMITMENT (CRC) ENERGY EFFICIENCY SCHEME: CONSULTATION ON AMENDMENTS TO THE SCHEME

#### REPORT BY HEAD OF PLANNING AND ECONOMIC DEVELOPMENT

##### **A. PURPOSE OF REPORT**

The purpose of this report is to provide the Council Executive with a draft response to the Government's consultation on amendments to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.

##### **B. RECOMMENDATION**

It is recommended that the Executive approves the content of the report, and the response to the consultation appended to the report, and submits this to the Government.

##### **C. SUMMARY OF IMPLICATIONS**

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|---|--|
| <b>I Council Values</b>   | Being honest, open and accountable; working in partnership; making best use of our resources; and focusing on our customers' needs.  |
| <b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b> | Responding to climate change is at the heart of Scottish Government policy to develop a sustainable economy in Scotland. It clearly links to the Council's Corporate policy and West Lothian's Single Outcome Agreement.   |
| <b>III Resources - (Financial, Staffing and Property)</b>   | Cost of purchasing carbon allowances each year.  |
| <b>IV Consultations</b>   | Due to timescales the report requires an SO31 for Council Executive. The report went to the Environment PDSP on 16 December and there were no comments. Consultation has taken place with officers from Planning and Economic Development and Finance and Estates. |

## **D. TERMS OF REPORT**

### **1.0 Background**

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is the UK's mandatory climate change and energy saving scheme. Under the CRC, West Lothian Council is required to purchase allowances to cover the amount of CO<sub>2</sub> generated from all council buildings. The scheme started in April 2010 and in Scotland is administered by the Scottish Environment Protection Agency (SEPA).

### **2.0 Amendment to the scheme**

In October's Spending Review the UK Government announced that the CRC will be simplified. The proposed amendments are primarily focused on extending the introductory phase and postponing the start of Phase 2 until 2013. Revenue from the sale of CRC allowances, totaling £1 billion a year by 2014/15, will be used to support the public finances, including spending on the environment, rather than being recycled to participants. Other amendments include information disclosures, the treatment of Northern Ireland departments and the updating of a number of references in the original CRC Order.

The implications of this announcement for the CRC are:

- In order to clarify the price signal to participants and to support the public finances, revenue from allowance sales will not be recycled back to participants by the UK Government.
- The first sale of allowances will take place in 2012 instead of 2011, postponing the financial requirements of the scheme for participants. Participants will therefore be able to purchase allowances to cover their 2011/12 emissions at the end of the 2011/12 compliance year.
- The Performance League Table will be retained as the main reputational driver within the scheme.

The Government has issued a consultation on amendments to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The closing date for the consultation is 17 December.

### **3.0 Summary of Response to Consultation**

The CRC scheme is a joint scheme between the UK Government and the Devolved Administrations and revenue recycling is a matter for all the Devolved Administrations to review following the UK Government's announcement.

The consultation questions focus on extending the introductory phase and

postponing the first allowance sale of phase two, information disclosures, the treatment of Northern Ireland departments and the updating of a number of references in the original CRC Order.

The response to the six consultation questions is appended to the report.

## **E. CONCLUSION**

Officers are in agreement with the proposals made to simplify the scheme. The extension of the introductory phase provides the council with an additional years experience managing compliance and performance under the CRC.

Officers have concerns with the long-term cost of carbon allowances under the scheme as there is currently no guidance on what a carbon allowance will cost in the future. There are also concerns with the amendment within the scheme for carbon allowances no longer to be recycled back to participants. Further information is expected in 2011 on this matter.

## **F. BACKGROUND REFERENCES**

Report to Environment PDSP on 11 March 2010, Carbon Reduction Commitment Energy Efficiency Scheme (CRC).

Appendices/Attachments: one

Appendix 1 - Response to Consultation Questions

Contact Person: Rona Gold: Climate Change Policy Officer 01506-775207

**Steve Field Head of Planning and Economic Development, County Buildings, Linlithgow, EH49 7EZ.**

**Date: 16<sup>th</sup> December 2010**

**Appendix 1: Response to consultation questions.**

***Question 1 - Do you agree with Government's proposal to extend the introductory phase and the associated amendments?***

Yes, this will allow additional time for Phase 1 to develop and allow participants a year of additional price guarantee over the price per tonne of carbon.

***Question 2 - Do you agree with Government's proposal to remove the information disclosure requirement?***

Yes, but there needs to be measures to catch "rogue" half hourly meters.

***Question 3 - Do you agree with Government's proposal to amend the landlord/ tenant rule in respect of Northern Ireland departments?***

No comment.

***Question 4 - Do you agree with Government's proposal to redistribute the administrators' responsibilities?***

Yes

***Question 5 - Do you agree with Government's proposal to update reference errors in the original order?***

Yes

***Question 6 – Do you agree with Government's proposal to update the interpretation definitions?***

Yes