

PURCHASE OF CARBON ALLOWANCES 2013/14

Cabinet Member(s)	Councillor Jonathan Bianco
Cabinet Portfolio(s)	Finance, Property and Business Services
Officer Contact(s)	Richard Coomber Residents' Services
Papers with report	None.

1. HEADLINE INFORMATION

Summary	To advise the Cabinet on the requirement to purchase allowances from the Department of Energy and Climate Change (DECC) to cover energy emissions (tonnes of carbon dioxide) regulated by the CRC (Carbon Reduction Commitment) Energy Efficiency Scheme Legislation.
Contribution to our plans and strategies	<u>Putting our residents first: Financial Management</u> To fulfil the Council's statutory obligations under the CRC Energy Efficiency Scheme.
Financial Cost	This has been estimated to be £352,225; provision has been made in the accounts 2013/14.
Relevant Policy Overview Committee	Corporate Services & Partnerships
Ward(s) affected	All

2. RECOMMENDATION

That the Cabinet:

- 1) Approve the purchase of allowances (estimated to be £352,225) from the Department of Energy and Climate Change (DECC) to cover energy emissions (tonnes of carbon dioxide tCO₂) produced during the 2013/14 Financial Year and regulated by the CRC Energy Efficiency Scheme Legislation.
- 2) Notes that the final cost of allowances for 2013/14 will be reported to Cabinet in September 2014.
- 3) Request that the Chairman of the Executive Scrutiny Committee waives the scrutiny call-in on these recommendations to ensure allowances can be ordered by the deadline of 31st July 2014.

Reasons for recommendation

The purchase of such allowances ensures that the Council complies with the following UK Legislation:

- The CRC Energy Efficiency Scheme Order 2010
- The CRC Energy Efficiency Scheme Order 2013

Alternative options considered / risk management

The Council could decide not to purchase and surrender allowances for its energy emissions (tonnes of carbon dioxide) regulated by CRC EES but would then be in breach of the CRC Order and could face fines from the Environment Agency of £40 per tonne of carbon dioxide a potential fine of £1.1m. (CRC Order 2013 Article 77 'Failure to surrender allowances.')

Policy Overview Committee comments

None sought at this stage.

3. INFORMATION

Supporting Information

The Government's CRC Energy Efficiency Scheme (CRC EES) aims to regulate and reduce the carbon emissions (tonnes of carbon dioxide) of large consumers of energy in both the private and public sectors. The background Legislation ('the CRC Order') relating to the scheme is detailed above. The Department of Energy and Climate Change (DECC) lead on CRC policy and the scheme is administered by the Environment Agency.

Participants in CRC EES are required to monitor and report on their energy consumption and incentivised to reduce their emissions primarily through a financial driver (the purchase of allowances to cover carbon emissions).

The Council met the technical metering and consumption qualification criteria based on the 2008 calendar year. Consequently, the London Borough of Hillingdon is a full participant in Phase 1 of the CRC EES.

Phase 1 of the CRC EES commenced on 1st April 2010 and will end on 31st March 2014. Participants are required to produce an Annual Report on their emissions coverage and from the 2011/12 compliance year purchase allowances.

Consumption data for the Annual Report is collated from Annual Supplier Statements. Officers request these statements in March and Energy suppliers have until mid May under the regulations to provide them.

The London Borough of Hillingdon's emissions in the 2013/14 Annual Report will be based on gas and electricity supplies from the Council's Corporate Property Portfolio, Maintained Schools and Academies and qualifying HRA Properties (Emissions from Street Lighting (classed as passive unmetered supply), domestic and transport supplies are excluded from CRC.).

The Annual Report for 2013/14 is currently in preparation and must be submitted to the Environment Agency by 31st July 2013. For 2013/14 the level of London Borough of Hillingdon's reported emissions is projected to be at a similar level to 2012/13. Following the changes made in the CRC simplification, the criteria for CRC reportable emissions remained consistent between 2012-13 and 2013-14.

The projection for CRC allowances for 2013-14 is £352,225.

The CRC Simplification response revised the deadlines for the ordering, purchase and surrendering of Allowances. For 2014, the deadlines are as follows:

Allowances must be requested via the Environment Agency's secure website ('the CRC Registry') between 2nd June and 31st July 2014. Payment for allowances ordered can be made between 1st September and 19th September 2014. The Environment Agency will allocate allowances to participants between 2nd September and 15th October 2014. Allowances must be 'surrendered' (reconciled to cover emissions in the Annual Report) by 31st October 2014.

Phase 2 of the CRC EES commenced in April 2014 and ends on 31 March 2019. London Borough of Hillingdon completed its registration for Phase 2 of the CRC EES on 25th November 2013. An advance purchase of CRC allowances for emissions in Phase 2 of the CRC EES was made in June 2014 as reported to Cabinet on 4th March 2014. CRC allowances purchased for Phase 2 cannot be utilised to cover Phase 1 emissions and vice versa.

Financial Implications

The report is proposing the purchase of carbon allowances for Phase I of the CRC Energy Efficiency Scheme which ended on 31 March 2014. The final purchase of allowances for 2013/14 is required to be made between 1 September-19 September 2014. Permission to purchase is being sought on indicative figures, as the allowances must be ordered by 31 July 2014, once final consumption figures have been collated.

A provision has been made in the 2013/14 accounts for £352,225. This was based on previous year's consumption. Current accounting guidance requires that a provision is made in the accounts for the financial year they are incurred.

The allowances are not transferable between phases and therefore all allowances purchased for Phase 1 should be utilised in the September surrender of allowances to cover 2013/14 CRC liability. There are 240 (£2,880) allowances from prior years of Phase 1. For Phase 1 CRC allowances cost £12 per tonne of carbon dioxide (tCO₂).

The Annual Report for 2013/14 will be submitted to the Environment Agency by 31st July 2014 and the final cost of CRC allowances will be reported to Cabinet in September 2014.

4. EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

The primary aim of the CRC EES is to promote energy efficiency and reduce CO₂ emissions resulting in reduced fuel bills for the Council and reduced CRC allowances cost.

Consultation Carried Out or Required

None

5. CORPORATE IMPLICATIONS

Corporate Finance

Corporate Finance has reviewed the report and concurs with the financial implications regarding the provision made in the 2013/14 Final Accounts for the purchase of the CRC allowances.

Legal

The Borough Solicitor confirms that the legal implications are contained in the body of the report.

Corporate Property and Construction

There are no Corporate Property and Construction implications arising from the recommendations set out in this report.

6. BACKGROUND PAPERS

NIL