

PERTH AND KINROSS COUNCIL**Property Sub-Committee – 18 August 2010****ENERGY MANAGEMENT AND CONSERVATION – CARBON REDUCTION
COMMITMENT ENERGY EFFICIENCY SCHEME****Report by the Depute Director (Environment)**

This report highlights the importance of participation in the Carbon Reduction Commitment Energy Efficiency Scheme and its implications to Perth & Kinross Council as well as benefits that can be achieved.

RECOMMENDATIONS

The Committee is asked to:-

- i) Note the potential implications of the Carbon Reduction Commitment Energy efficiency Scheme (CRCEES) to Perth & Kinross Council.
- ii) Approve the proposed approach for management of the CRCEES under the remit of the Premises Management section.
- iii) Delegate powers for Carbon Trading to the Head of Property in consultation with the Head of Finance and Head of Legal Services.
- iv) Remit the Head of Property to submit an annual report detailing the Council's performance with regard to the Carbon Reduction Commitment Energy Efficiency Scheme including the impact of Carbon Trading, the legislative position, resource implication and budgetary issues.

BACKGROUND

1. The CRCEES is a mandatory scheme designed to assist the Scottish Government in achieving its target of reducing carbon emissions by 1.2 million tonnes per year until 2020. The scheme at present encompasses all organisations, private and public sector that consumed greater than 6000Mwh during the calendar year 2008 recorded through a fiscal Half Hour electricity meter. Perth & Kinross Council consumed 6,146mWh for that year.
2. The principle of the scheme is based on a 'Cap & Trade' methodology similar to the European Union Emissions Trading Scheme. The Council will therefore be obliged to purchase Carbon Certificates as of April 2011 based on the total carbon weight of emissions that the Council predict will emit during the financial year 2011-12. Currently, the Government has set the value of these certificates at £12.00/tonne.
3. In October 2011, depending on the Council's performance and position on a league table (comprising approximately 5,000 organisations from the private and public sectors nationwide) the Council may receive a recycle payment.

This may be equal to the Council's contribution, greater if the Council performs better than other organisations or a reduced payment if the Council drops down the league table compared with others.

4. For 2012/13 and 2013/14 this cycle is repeated with a progressively lower number of certificates available to purchase on the market. This is designed to drive organisations to reduce their respective emissions. In addition, by 2013 the price of carbon will become negotiable on the futures markets. At this point the cost to the Council will depend on a carbon price which will fluctuate in response to external influences.
5. It is predicted that the open market pricing may drive organisations to reduce their emissions in excess of voluntary targets. This may have the effect of increasing the cost of carbon certificates each year.
6. With the recycle payment determined in this competitive trading scheme, continuous monitoring of the Council's energy consumption will be required in order to best predict the Council's requirement for certificates and buy or sell to cover the Council emissions for that year. It should be noted however that the ability to transfer any unused certificates to the following year is not an option. It should also be noted that the trading of these certificates has a high risk factor due to the volatility of the futures market.
7. A further 'penalty' is for SEPA to name and shame any offenders. This is likely to impact on the Council's reputation in the community and wider.

PROPOSALS

8. The scheme allows for penalties to be imposed for certain infringements of the scheme, these include:
 - not carrying out key commitments by a certain timescale
 - providing false information
 - providing inaccurate information.
9. In order to minimise these effects, all Services within the Council must fully co-operate with the Energy Conservation and Management Team in collecting data and assisting the team in executing their duties.
10. In order that Perth & Kinross Council can minimise the financial impact of the scheme including civil penalties, an evidence portfolio must be maintained for external audit by SEPA (who are tasked to police this initiative in Scotland). Discussions with Internal Audit have been carried out to update them on processes and to seek guidance as required.
11. Should the Council perform well, consideration will have to be given to a strategy for reinvesting any excess recycling payments received.

12. A previous report covering these issues has previously been submitted to the Sustainable Development Member Officer Working Group on the 13th May 2010.

CONSULTATION

13. The Sustainable Development Member Officer Working Group together with the Head of Legal Services and the Head of Finance have been consulted in the preparation of this report.

RESOURCE IMPLICATIONS

14. The administration of the CRCEES will be carried by the Property Division Energy Conservation and Management Team.
15. An annual budget of £2,500 is to be allocated in order to cover the annual participation fee and cover any trading transactions. This will be funded from existing resources.
16. A bridging fund of approximately £220,000 will have to be made available to purchase Carbon Certificates from April 2011. This sum will be offset by recycle payments receivable in October 2011. The level of fund and recycle payment will vary year on year.
17. A strategy and management to deal with this will be set up in conjunction with the Head of Finance.
18. Based on a table in the CRC user guide published by the Department of Energy and Climate Change (DECC), an organisation's position in the league table is mapped to a bonus / penalty scale. Bonus or penalty payments are then based on the organisations position relative to the midpoint of the league table.
19. The differential between bonus and penalty payments increases year on year

Year	Bonus / Penalty
2011/12	+/- 10%
2012/13	+/- 20%
2013/14	+/- 30%
2014/15	+/- 40%
2015/16	+/- 50%

20. The potential differential rises from \pm £22,000 in year one to \pm £66,000 in year three and \pm £110,000 in year five. Although it is not possible at this stage to determine the extent, if any, of a financial penalty, the following expenditure pressures have been included in the Environment Service's budget submission in order to recognise this risk.

2011/12:	£15,000
2012/13:	£15,000
2013/14:	£20,000

COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

21. The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation.

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

This report relates to (iii):

A Prosperous, Sustainable and Inclusive Economy.

EQUALITIES IMPACT ASSESSMENT (EqIA)

22. An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.

23. The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- i) Assessed as **not relevant** for the purposes of EqIA.

STRATEGIC ENVIRONMENTAL ASSESSMENT

24. Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes, strategies and policies (PPS).

25. The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

CONCLUSION

26. The CRCEES presents a major challenge to Perth & Kinross Council. The approach in this report is to advise elected members of the consequences of non-compliance and agree to seek support for the proposals in order that the Council can gain most benefit.
27. Future reports to be presented to the Sustainable Development Member Officer Working Group in conjunction to regular reports to the Property Sub-Committee.

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No background papers as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

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