

**STOCKTON-ON-TEES BOROUGH COUNCIL**

**CABINET RECOMMENDATIONS**

**PROFORMA**

Cabinet Meeting .....1st October 2009

1. Title of Item/Report

Carbon Reduction Commitment

2. Record of the Decision

Consideration was given to a report relating to Carbon Reduction Commitment.

It was explained that the Government was in the process of introducing the Carbon Reduction Commitment (CRC), a 'cap and trade' scheme for high energy users which was intended to increase energy efficiency and reduce carbon dioxide emissions.

Participation in the scheme was decided by the electricity consumption measured by half hourly meters during the calendar year 2008. On this basis Stockton-on-Tees Borough Council qualified and would be full participants in the scheme.

Registration to the scheme would take place between April and October 2010 with trading commencing in April 2011.

CRC required organisations in the scheme to purchase carbon emission 'allowances' from Government. These were to cover emissions associated with electricity consumption, gas consumption and any other fuels used but specifically excluding transport. The allowances would be available at the start of the scheme at a price of £12 per tonne of carbon dioxide. On the current carbon dioxide emission figures for Stockton-on-Tees Borough Council the cost would be around £350-400k. However, for the first year only, two years allowances would need to be purchased, thus an expenditure of £700k to £800k must be planned for April 2011.

The scheme was 'fiscally neutral' in that the payments received would be recycled back to participants on the basis of their performance in reducing emissions each October. Determination of the repayment was made according to the organisation's position in a league table of all participants. At the top of the league table a 'bonus' of 10% would be paid whilst at the bottom a 'penalty' of 10% applied. Over a period of

five years this bonus (or penalty) would rise to 50%. The actual bonus or penalty payable for a given league table position was on a linear scale from top to bottom.

It was estimated that around 5,000 organisations would be participating in the scheme and would include supermarkets, other large stores, manufacturing and commercial business as well as local authorities.

Part of the process required the establishment of a 'carbon footprint report' and this would cover the actual emissions in 2010/11 financial year. The first allowances to be purchased were to cover retrospectively this base line year and for the predicted emissions for 2011/12 thus resulting in the double payment mentioned above.

After five years operation of the scheme the 'cap' would be introduced to set a limit on the number of allowances available and this would be progressively reduced over time to push towards Government carbon reduction targets.

Whilst initial pricing of allowances would be £12 per tonne of carbon dioxide, after the initial purchase period these would be traded on the open market with values set by supply and demand. In the event that an organisation had not purchased sufficient allowances to cover the year's emissions more must be bought to cover the total and these would have to be sourced from the market. Their cost may be higher but they were also subject to brokerage fees and tax which the original purchase would not be. It was therefore important that sufficient allowances were purchased. Surplus allowances may be sold.

CRC would be administered by the Environment Agency which would also act as the regulator. There were both civil and criminal penalties for various aspects of non-compliance with the scheme.

RESOLVED that

1. the forthcoming Carbon Reduction Commitment and it's impact on the Council budget and cash flow be noted.
2. The authority to trade allowances in the CRC scheme be delegated to the Head of Finance and Assets in consultation with the Director of Development and Neighbourhood Service
3. the benefit from the Carbon Management programme, in reducing emissions from Stockton-on-Tees Borough Council activities thus placing

the Council in good standing regarding performance under the CRC scheme, be noted

3. Reasons for the Decision

1. Stockton-on-Tees Borough Council qualified for full participation in the CRC due to consumption of more than 6,000MWh of electricity from half hourly meters in calendar year 2008.

2. CRC would have financial implications for the Council due to the need to purchase allowances for carbon dioxide emissions in advance each April and the difficulty of predicting league table position and hence repayment value to be received in October each year.

3. Delegated authority would be required to enable Council Officers to engage in the purchase and trading of carbon allowances.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Cunningham declared a personal prejudicial interest in the item entitled Carbon Reduction Commitment as he was employed by a company that was commercially involved in issues relating to Carbon reduction. Councillor Cunningham left the meeting and took no part in the discussion or voting on the item.

Councillors Lupton and Mrs Womphrey declared a personal non prejudicial interest in the item entitled Carbon Reduction Commitment as they served on the Board of Tees Active which would be affected by the issue and was referred to in the report.

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

Not later than Midnight on Friday 9th October 2009

Proper Officer  
05 June 2009