

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

25 NOVEMBER 2010

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Environment – Lead Cabinet Member – Councillor Mrs Jennie Beaumont

CRC – ENERGY EFFICIENCY SCHEME UPDATE

1. Summary

This report provides an update on our position in respect of the CRC Energy Efficiency Scheme. In the Comprehensive Spending Review (CSR) the recycling payment that would have brought most of the expenditure on carbon allowances back to the Council has been abandoned resulting in the scheme effectively operating as a carbon tax with payments retained by HM Treasury. This will require a financial commitment by the Council of £250,000 to £300,000, although the first payment is now delayed until April 2012.

Further information is awaited from Government although it is understood that a consultation on simplification of the CRC Energy Efficiency Scheme is planned.

2. Recommendations

It is recommended that Cabinet note the content of the report.

3. Reasons for the Recommendations/Decision(s)

That Cabinet understand the financial implications of the CSR decision to retain payments for allowances and that this will impact on the Council budget.

That Cabinet understand that further details are awaited from Government requiring additional updates in the coming months.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to

prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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CABINET DECISION

CRC – ENERGY EFFICIENCY SCHEME UPDATE

SUMMARY

This report provides an update on our position in respect of the Carbon Reduction Commitment. It also sets out the implications of the recent Comprehensive Spending Review.

RECOMMENDATIONS

It is recommended that Cabinet note the content of the report.

DETAIL

1. Stockton-on-Tees Borough Council completed the registration and enrolment with the CRC Energy Efficiency Scheme in August 2010. The registration fee of £950 has been paid.
2. Work has progressed on quality procedures, records and the audit trail required for compliance with the scheme.
3. It was expected that the first purchase of carbon allowances for Stockton-on-Tees Borough Council would be made during April 2011 with a recycling payment to be received in October 2011. However in the full report of the 20 October Comprehensive Spending Review the following clause was published:

***2.108** The CRC Energy Efficiency scheme will be simplified to reduce the burden on businesses, with the first allowance sales for 2011-12 emissions now taking place in 2012 rather than 2011. Revenues from allowance sales totalling £1billion a year by 2014-15 will be used to support the public finances, including spending on the environment, rather than recycled to participants. Further decisions on allowance sales are a matter for the Budget process.*

4. At present no further detail is available but it is assumed that the first payment for carbon allowances to cover 2011/12 emissions will now be made in April 2012 with no recycling payment, i.e. as a tax payable to the Treasury. It is currently estimated that the cost of this at £12/tonne will be around £250k. However, there has been an indication from commentators that the price may rise to £16/tonne bringing the total for Stockton-on-Tees Borough Council to £333k.
5. Provision will therefore need to be made in the budget for 2012/13 for this payment.
6. At present no information is available concerning other aspects of the CRC Energy Efficiency Scheme such as the league table and bonus system, trading and record

keeping. Since the allowances will be paid for retrospectively the role of trading must be in doubt.

7. Qualification to participate in the CRC Energy Efficiency Scheme was determined by electricity consumption recorded on half hourly meters during the calendar year 2008. The qualifying limit was 6,000MWh. Stockton-on-Tees Borough Council consumption was 7,500 kWh thus committing the Council to full participation.
8. Assuming the 6,000MWh limit remains the objective must be to reduce qualifying consumption to less than that figure. At present grid connected renewable electricity that benefits from Feed in Tariffs or Renewable Obligation Certificates is counted as grid electricity to avoid double counting. However, there may be ways around this through the Power Purchase Agreement approach currently being explored.
9. The objective recommended is to reduce the electricity consumption on half hourly meters to drop below the qualifying limit, though this will be subject to any other changes to the scheme.
10. It is recommended that no specific action is taken until details on the future arrangements for the CRC Energy Efficiency Scheme have been published.

FINANCIAL IMPLICATIONS

11. The impact of the Comprehensive Spending Review indicates that a budget of around £250-300k will have to be set for our carbon credit in 2012.

LEGAL IMPLICATIONS

12. None.

RISK ASSESSMENT

13. This update of the CRC Energy Efficiency Scheme is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

14. This report does not impact on the Sustainable Community Strategy other than that the CRC Energy Efficiency Scheme will encourage reductions in energy demand.

Environmental Implications

15. Contributes to the Carbon Management Programme that is reducing energy consumption in all Council activities including schools.

EQUALITIES IMPACT ASSESSMENT

16. This report is not subject to an Equality Impact Assessment because it applies solely to the carbon emissions arising from Council energy use in all buildings and the implications of that on Council finances.

CONSULTATION INCLUDING WARD/COUNCILLORS

17. This report has a uniform impact across the Council.

Name of Contact Officer: Richard McGuckin
Post title: Head of Technical Services
Telephone No: 01642 527028
Email Address: richard.mcguckin@stockton.gov.uk

Education related?

No.

Background Papers

None.

Ward(s) and Ward Councillors:

All.

Property

The conversion of the CRC Energy Efficiency Scheme to a non-returnable payment to HM Treasury provides an added incentive to rationalise use of buildings and improve energy efficiency.