



CABINET REPORT

Report Title	Carbon Reduction Commitment
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	14 th October 2009
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Environment & Culture
Accountable Cabinet Member:	Trini Crake
Ward(s)	All

1. Purpose

- 1.1 This report is submitted to inform the Cabinet of the financial, reputational and resource implications of the Carbon Reduction Commitment on the Council.
- 1.2 The Council will be legally obliged to participate in the Carbon Reduction Commitment that starts in April 2010. The scheme is designed to encourage and promote energy efficiency through financial and reputational incentives. The Council's current participation in the Local Government Information Unit (LGiU) pilot offers a positive approach to dealing with the CRC. The Council will need to prepare for the scheme and invest resources to do so. New skills sets will need to be developed to enable accurate monitoring and carbon trading expertise to be developed.

2. Recommendations

It is recommended that the Cabinet:

- 2.1 Note and give consideration to the financial, reputational and resource implications for the Council of the new CRC scheme.

- 2.2 Agree to participate in Carbon Trading Public Sector 2009/10, which is a 'dry run' of the CRC scheme.
- 2.3 Agree the need for the skills, tasks and roles outlined in 4.2.4. of this report to be implemented to undertake the CRC.
- 2.4 Note that a carbon financial trading strategy will be prepared.
- 2.5 Note that TEAM (Energy Auditing Agency) Ltd will provide services to the carbon reduction work of the council.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The CRC is a UK-wide mandatory emissions trading scheme, which is aimed at large non-energy intensive organisations and places a statutory responsibility on organisations to understand their carbon footprint, monitor and accurately record the amount of energy that they use.
- 3.1.2 Under the terms of the scheme, NBC will have to:
 - Collect and analyse the footprint data (monitoring) Calculate its emissions responsibly under the scheme (The CRC will require a data accuracy of at least 95% to avoid penalties.)
 - Purchase carbon allowances to cover its emissions,
 - Develop a compliance strategy
 - Monitor and report its annual energy consumption and surrender sufficient allowances to cover its stated emissions,
 - Keep an evidence pack, to provide an audit trail that demonstrates how it has calculated its total energy use,
 - Budget for carbon allowance purchase and a six-month delay before receiving any recycling payment (with a possible penalty or bonus).
 - Undertake trading activities and forecasting
 - Submit data to the scheme administrator
 - Understand and participate in the carbon auction process
 - Verify data and undergo audits
- 3.1.3 NBC must register under the CRC as during the 2008 calendar year the council consumed at least 6,000 MWh of electricity on all its Half Hourly meters. The energy usage of these meters for the period: 01.04.08 to 31.03.09 was 9,542.47 MWh. If Cliftonville House closed and staff and services not relocated the Council would still remain within the CRC requirements as it is estimated that the total electricity usage of NBC half hourly meters would reduce by 1,207.6 MWh to 8,334.7MWh.

3.2 Issues

- 3.2.1 If energy savings cannot be made then financial penalties could be hefty but conversely, if the Council can put procedures in place and develop specific energy action plans to reduce energy in all of its activities and corporate assets there are clear financial benefits.

3.3 Choices (Options)

- 3.3.1 The Council has limited options. The Council must participate in the CRC, it must identify which carbon trading strategy it wishes to adopt and identify a carbon reduction strategy to maximise the benefits of the league table position and thereby reduce the financial impact of the scheme on the Council.

4. Implications (including financial implications)

4.1 Policy

The CRC will drive NBC policy to reduce its carbon emissions.

4.2 Resources and Risk

4.2.1 Financial Implications:

NBC will need to:

- Provide a cash flow for the purchase of allowances, after a six-month delay will we receive the sum back (with a possible penalty or bonus depending on our position in the league table).
- The bonus and/or penalties have a maximum for each year and will be 10% in 1st year. A league table position will determine a bonus or penalty factor applied to NBC's recycling payment. The scheme's aim is to reward a well performing organisation while penalising those with poor performance. In the scheme's first year, the maximum bonuses to those at the top of the table and maximum penalties to those at the bottom will be equivalent to 10% of an organisation's emissions. This % will rise by 10 percentage points a year to +/- 50% in October 2015. Payments are proportional to 2010/2011 emissions so the actual financial penalty and bonus can be even greater or lower than these percentages.
- Prepare a budget contingency for possible fines for non-compliance.
- Budget for the cost of participating in the scheme to cover various registration and subsistence fees are payable (MTPO submitted);
- Budget for the manpower and systems needed to comply with the data collection and reporting requirements, this is predominantly for the Energy Manager
- Budget for energy efficiency and carbon reduction measures to improve the position in the league table and carrying out early action metrics (installing Smart Metering and achieving 'Carbon Trust Standard') will carry further operational costs.

Note: The Government's own Regulatory Impact Assessment estimates that **the average cost of administration for Local Authorities with 50+ sites – will be £28,500 per annum.** This cost is based on a fully

absorbed cost of £500 per day and reflects either the value of management time and the associated overheads – or the costs of contracting out the management of an organisation's CRC related activity.

A table of possible costs is contained in Appendix 1.

4.2.2 Reputational Implications:

The league table showing the position of the council ranked against 5,000 other organisations will be published along with any non-compliance. A low position relative to other organisations or incidents of non-compliance could be extremely detrimental to the council's reputation. Conversely a high position in the league table due to energy reduction would enhance the council's reputation.

4.2.3 Other resource Implications:

Commitment resources in manpower to achieve the terms of the scheme described in 3.1 above.

The Carbon Trust suggests that the resourcing levels for a team dealing with Energy Management should be such that the ratio of resources as FTE to utility spend (water, electricity + gas) are around 0.75 to 1.0 FTE per £1million. NBC has a £2 million spend. Indicative resources would therefore be 2 FTE. In order to fulfil the activities below the Council will need to create a team to undertake the core functions and where other expertise can be brought in to help and assist in the functions.

4.2.4 The Skills, Tasks and Roles Required to undertake these Activities include:

Local Government Information Unit (LGiU) – as a result of the pilot Carbon Trading Council's scheme suggest the following CRC tasks and roles:

TASK	POSSIBLE LEAD FOR ROLE
Identify if you qualify for CRC	Energy Management Asset Management Legal
Monitor your total emissions	Energy Management Asset Management
Identify if there are additional emissions that you are responsible for (e.g. PFI contracts)	Legal Procurement Asset Management
Provide a cash flow for purchasing carbon allowances in the initial sale	Lead councilors Finance Energy Management
Develop Trading Strategy	Lead councilors Finance Legal Risk Management
Decisions to initiate and negotiate trading deals	Finance Procurement
Predict cash flow implications, for instance	Finance

the revenue recycling payment	
Identify any relevant emissions that are exempt from the CRC	Legal Energy Managers
Decide + implement carbon reduction plans	Lead councilors Energy Management Asset Management

4.3 The Role of the Carbon Management Programme Board

- 4.3.1 The Carbon Management Programme Board's terms of reference have been changed to include the implementation of the CRC. Membership includes senior officers from Finance, Asset Management, Procurement and Legal and the Sustainable Development Officer. The meeting is chaired by the Director of Environment and Culture.
- 4.3.2 The roles, membership and responsibility of the Carbon Management Programme Board will continue to evolve as further understanding of requirements is gained.
- 4.3.3 During the first year of the scheme trading strategies will need to be established and skills developed in Finance and Asset Management to address elements of the scheme. In particular – delegated authority will have to be established in order to allow rapid trading decisions to be made as required.
- 4.3.4 The CRC is a “whole council issue”. The Director of Environment and Culture will have responsibility for leading and over-seeing the implementation of the CRC.

4.4 TEAM (Energy Auditing Agency) Ltd

- 4.4.1 There is currently a 1-year contract with TEAM to provide Bureau Services that ends on the 31st of March 2010. TEAM can continue to provide Bureau Service that is accurate energy consumption data as opposed to financial data and will ensure complete and accurate data.
- 4.4.2 NBC has received a proposal from TEAM to give an Initial Impact Assessment on CRC, which will provide a corporate review, a review of data to include 100% of our CRC sites in order to identify the 90% we need to report on, a risk reduction strategy and a senior management briefing/ presentation. The cost for the Impact Assessment is £5,500; this cost is in existing budgets.
- 4.4.3 TEAM are also developing a CRC module – which will be designed to help with the reporting under the CRC (80% of the work required for complying with the CRC). The council will need to either buy in service from TEAM or carry out these functions in-house.

4.5 Legal

The council must maintain accurate auditable information for the CRC as falsification of records may result in criminal action.

4.6 Equality

There are no Equality and Diversity issues.

4.7 Consultees (Internal and External)

Legal, Finance.

4.8 How the Proposals deliver Priority Outcomes

NBC has committed to reducing its carbon emissions by 35% by 2012.

4.9 Other Implications

None.

5. Background Papers

5.1 Management Board Report 16/07/09

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