Consultation on the recommendations of the Climate Change Simplification Project

Consultation questions

December 2007

Please refer to the following list of questions when responding to the request for views on the report ‘Climate Changes Instruments: Areas of Overlap and Options for Simplification’.

We would be grateful if you could send your response in either electronic format (word document or pdf) or hard copy. In your response, please copy the recommendation and clearly state the question you are addressing to. This will assist us in processing responses as efficiently as possible.

The closing date for the submission of views is 17:00 March 19, 2008.

Responses to this consultation should be clearly marked in the subject field “Response: Consultation on the recommendations of the Climate Change Simplification Project”, and should be sent by email to:

CCSimplification@defra.gsi.gov.uk

Or by post to:

Federica Cimato c/o Climate Change Simplification Project
Central Analytical Directorate
Department of Environment, Food, and Rural Affairs
Nobel House (Area 1B)
17 Smith Square
London SW1P 3JR

The email address given above should also be used for general queries relating to this consultation. Please mark the subject field “Query: Consultation on recommendations of the Climate Change Simplification Project”.

**Part 1: General Information**

Please provide details of your organisation/company/sector association below (please note: Defra’s confidentiality statement related to this consultation can be found in the Consultation Letter to which this list of questions is attached).

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**Question 1:** Does your organisation/company/sector association have a Climate Change Agreement?
**Question 2**: Is your organisation/company/sector association covered by the EU ETS?

**Question 3**: Do you anticipate that your organisation/company/sector association will be covered by the CRC?

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**Part 2: Comments on the Simplification Report**

Please leave the response box blank for any questions that you do not wish to answer. Additional comments can be recorded in the box at the end of this form. All boxes may be expanded as required.

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**Recommendation 1**: On going evaluation of domestic instruments such as CCAs and CRC (i) in the context of global action to reduce emissions and (ii) in terms of effectiveness in dealing with downstream market failures and inducing behaviour change. A monitoring and evaluation framework, including a timescale for regular evaluations, should be developed prior to implementation of domestic climate change instruments.

**Question 4**: Do you agree with Recommendation 1? Please provide a brief explanation of why or why not.

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**Recommendation 2**: Examining the overlap in emissions directly targeted by EU ETS and CCAs and considering splitting the CCA target for current CCAs (if possible) and for post-2010 CCAs.
Question 5: Do you agree with Recommendation 2? Please provide a brief explanation of why or why not.

Question 6: What are the additional administrative costs (in absolute and percentage terms) to your organization/company/sector association of complying with the monitoring, reporting and verification requirements of EU ETS and CCAs for the same emissions? [Please state if exempt from Phase I of EU ETS and, if so, provide your best estimate of these figures]

Question 7: What are the administrative costs to your organisation/company/sector association of making double counting adjustments to your CCA targets or submitting proof of cancellation of surplus EU ETS allowances? [If currently exempt from Phase I of EU ETS, please provide your best estimate of these costs]

Question 8: What benefits/disbenefits do you think would result from splitting CCA and EU ETS targets?

Recommendation 3: Making targets consistent. Considering denominating CCA targets in absolute terms, such that perverse incentives are reduced and domestic instruments are better aligned with UK and international policy objectives. Due to the administrative burden of renegotiating CCA targets\(^1\) and concerns regarding its effect on competitiveness, a change to absolute targets may not be feasible for the current set of CCAs (i.e., for targets up to 2010), but should be considered for future CCAs.

\(^1\) The agreements are voluntary and between two parties, with both parties having to agree to any changes.
**Question 9:** Do you agree with Recommendation 3? Please provide a brief explanation of why or why not (bearing in mind that CCAs will have to play their part in the meeting of carbon budgets, to be established under the Climate Change Bill).

**Question 10:** If your organisation/company/sector association currently has a relative CCA target, how would denominating targets in absolute terms affect your organisation/company/sector association (please include in your comments, but do not restrict yourself to, issues related to meeting targets and related costs)?

**Recommendation 4:** Removing unnecessary trading schemes. Ending the UK ETS market and linking CCAs to CRC instead, thus reducing the administrative burden of operating and participating in multiple, duplicative trading schemes while retaining the flexibility that trading provides CCA participants. For legal reasons, UK ETS market for CCA participants will continue for the current set of CCAs. Ending the UK ETS market and linking to CRC has been proposed for future CCAs.

**Question 11:** Do you agree with Recommendation 4? Please provide a brief explanation of why or why not.

**Question 12:** Does your organisation/company/sector association currently use UK ETS to meet targets or to sell allowances derived from over-achievement?

**Question 13:** What benefits/disbenefits would result from implementing Recommendation 4 (please include in your comments, but do not restrict yourself to, issues related administrative burden)?
Recommendation 5: Defining scheme boundaries on a simple and consistent basis. Defining CCA scheme boundaries (for example, on an installation basis) such that unnecessary overlaps are minimised, the potential for perverse incentives is reduced, and policy coherence is maximised. Such changes may not be feasible for the current set of CCAs, but should be considered for future CCAs. CRC scheme boundaries should be evaluated in the context of any changes to CCA eligibility.

Question 14: Do you agree with Recommendation 5? Please provide a brief explanation of why or why not.

Question 15: What difficulties have you faced in establishing CCA facility boundaries, and what have been the associated costs?

Question 16: What proportion of your organisation’s emissions (direct and indirect) are covered by EU ETS and CCAs (Please give separate figures for EU ETS and CCAs and, if there is an overlap, a total figure)?

Question 17: It is currently proposed that an organisation that has more than 25% of its emissions in a CCA would be exempt from the proposed CRC. Would your organisation/company fall into this category? If so, or if not, what would be the implications for your organisation/company?

Question 18: What measures do you think would reduce the problems of different scheme boundary definitions?
**Recommendation 6**: Aligning monitoring, reporting, and verification requirements. Harmonising reporting periods and reporting units, standardising data and documentation to be submitted/stored under each scheme, and applying verification requirements consistently and proportionately across instruments, such that the administrative burden (on government and business) is reduced and UK’s energy performance is tracked more easily and transparently against its long-term climate change objectives. CRC requirements are being aligned with other instruments. Due to the administrative burden of renegotiating current CCAs, measures to align their requirements with other instruments may be feasible only for the next round.

**Question 19**: Do you agree with Recommendation 6? Please provide a brief explanation of why or why not.

**Question 20**: What are the additional administrative burdens and costs (in absolute and percentage terms) to your organisation/company/sector association of dealing with the existing differences between EU ETS and CCAs (please include in your comments, but do not restrict yourself to, issues related reporting periods and reporting units)?

**Question 21**: Given that EU ETS monitoring, verification and reporting requirements are set at EU level, what UK measures would reduce the administrative burden of different reporting regimes?

**Recommendation 7**: Evaluating the potential for data sharing. Examining various data sharing arrangements that reduce overall administrative burden and address business concerns around commercial confidentiality of the data. Such
arrangements are likely to increase the efficiency and cost effectiveness with which environmental outcomes are delivered.

**Question 22**: Do you agree with Recommendation 7? Please provide a brief explanation of why or why not.

**Question 23**: Please give examples of data that is submitted to Defra under more than one scheme, that might benefit from data sharing within Defra.

**Question 24**: Please give examples of data that is submitted to Defra under more than one scheme, that would not benefit from data sharing within Defra due to issues of confidentiality.

**Question 25**: Please give examples of data that is submitted to Defra under more than one scheme, that might benefit from data sharing with other government departments.

**Question 26**: Please give examples of data that is submitted to Defra under more than one scheme, that would not benefit from data sharing with other government departments due to issues of confidentiality.

**Question 27**: Please set out any suggestions on how data sharing could be best implemented while protecting business confidentiality?

**Recommendation 8**: Seeking to deliver, with the EU partners, further reductions in administrative burden by excluding small emitters from EU ETS, and including under CRC those small emitters who meet current CRC eligibility criteria (i.e., belonging to a large CRC organisation).
**Question 28:** Do you agree with Recommendation 8? Please provide a brief explanation of why or why not.

**Question 29:** The Commissions proposals will be published in January, and we will be consulting on them. What are the possible benefits/disbenefits of the proposal to your organisation/company, including the impact on administrative burden?

**Recommendation 9:** Seeking to deliver, with the EU partners, efficiency and other regulatory benefits from auctioning EU ETS allowances. Levels of auctioning are being considered as part of the current review of the EU ETS directive.

**Question 30:** Do you agree with this Recommendation 9? Please provide a brief explanation of why or why not.

**Question 31:** What benefits/disbenefits to your organization/company would result from increasing levels of auctioning?

**Recommendation 10:** Extending IPPC light touch measures to CRC (subject to a sound legal basis) and disapplying all IPPC energy efficiency requirements from EU ETS installations. Implementing this recommendation will require consideration of ways to simplify and align Pollution Prevention and Control scheme boundaries with EU ETS and CRC so benefits of the light touch measures are not lost, and also detailed analysis to ensure that removal of IPPC energy efficiency requirements will not significantly affect the environmental outcome.

**Question 32:** Do you agree with Recommendation 10? Please provide a brief explanation of why or why not.
**Question 33:** What benefits/disbenefits to your organization/company would result from implementing Recommendation 10? Please provide an estimate of the decrease/increase in administrative and other costs (in absolute and percentage terms) from implementing Recommendation 10.

**Recommendation 11:** Undertaking further analysis to examine (i) the interaction of CHP policies with other instruments and (ii) the potential for greater alignment of Pollution Prevention and Control’s other objectives with climate change objectives.

**Question 34:** Do you agree with Recommendation 11? Please provide a brief explanation of why or why not.

**Question 35:** Where else do you think there is scope for simplifying or make more coherent the existing suite of non-fiscal climate change policy instruments without compromising the environmental outcome?