

DECISION-MAKER:	CABINET		
SUBJECT:	ADOPTION OF A CORPORATE CARBON REDUCTION POLICY		
DATE OF DECISION:	18 JANUARY 2010		
REPORT OF:	CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT		
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STATEMENT OF CONFIDENTIALITY
NOT APPLICABLE

SUMMARY

The proposed Carbon Reduction Policy and action plan details how the Council will reduce its own carbon footprint and meet its commitments relating to the Government's mandatory Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and the Energy Performance in Buildings Directive (Display Energy Certificates). It is a corporate project that will require the continued full participation by service areas and Capita in order to meet the expected outcomes.

RECOMMENDATIONS:

- (i) For Cabinet to adopt the Corporate Carbon Reduction Policy and Action Plan to ensure the Council can meet its obligations under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and manage energy effectively within Council operated buildings.
- (ii) That an annual report be brought back to Cabinet outlining the progress in delivery of the Action Plan against the targets, together with recommendations for further improvements

REASONS FOR REPORT RECOMMENDATIONS

1. CRC is the UK mandatory cap and trade scheme concentrating on energy use, which will be introduced in April 2010 under an order published pursuant to the Climate Change Act 2008 to help meet the national target to reduce CO₂ emissions by 80% by 2050. The council will be required to participate in and meet its obligations under this mandatory carbon trading scheme.

CONSULTATION

2. The proposed Carbon Reduction Policy and Action Plan has been subject to internal consultation through Policy Coordinators and COMT (1st September 2009 and 7th December 2009).

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. Non compliance with the requirements of CRC may result in the imposition of civil sanctions, such as fines and / or treated as a criminal offence subject to appropriate enabling legislation being introduced.

DETAIL

4. **The CRC Energy Efficiency Scheme is a new mandatory, energy saving and carbon emissions reduction scheme for the UK that starts in April 2010.** It applies to all public sector bodies and major private sector organisations and is central to the UK's strategy for improving energy efficiency and meeting the national target for reducing carbon dioxide emissions. Designed to raise awareness of energy management, the CRC is forcing positive changes in behaviour and infrastructure.
5. The Carbon Reduction Policy (see Appendix 1) sets out the Council's commitment to contribute towards the Government's target to reduce CO₂ emissions. It also delivers against many of the Sustainability Principles that the Council adopted in November 2008, in particular "**reducing natural resources, energy consumption**" and "**sustainable procurement**".
6. The Council is currently committed to the following targets related to carbon reduction:
 - a. The **LAA stretch target** of a reduction of 938 tonnes CO₂ emissions arising from Council operational buildings and schools by March 2010. This equates to a 4.23% annual reduction.
 - b. **10:10 Campaign** – a 10% reduction in CO₂ emissions over a 12 month period, April 2010 – March 2011, compared to the 12 months immediately before (baseline year - April 2009 – March 2010)
 - c. Meeting our **CRC obligations** – a 40% reduction in CO₂ emissions by 2020 and 80% by 2050 (based on a 2008/09 emissions baseline).
7. As the CRC Energy Efficiency Scheme comes into force in April 2010 and will affect all services within the City Council, it is imperative that positive steps are taken across the whole organisation to improve energy / carbon management within all our buildings. The Action Plan set out in Appendix 2 supports the delivery of the Policy and details the measures and improvements planned to ensure that the Council complies with the CRC Energy Efficiency Scheme.
8. Initially this focuses on major improvements to energy data collection across all Council owned buildings to establish our baseline and monitoring systems. An all encompassing structured carbon management / reduction programme will then be implemented (as set out in the plan).
9. The Carbon Reduction Policy and associated Action Plan will provide the council with the tools to improve the integration of carbon management across the authority. It will also enable us to achieve carbon savings in a structured long term manner within all relevant aspects of our operations, and to meet our obligations and targets as described in this paper.

10. The continued full cooperation of all service managers and the Council's strategic partner Capita will be required if the Council is to deliver the full benefits of this approach and avoid financial penalties and future pressures. An annual progress report will be presented to Cabinet, and a full review of the Action Plan undertaken on a tri-annual basis.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

11. As a principle, integrating corporate carbon management will have no direct capital implications but it will result in changes to current working practices. As and when specific capital projects arise they will need to be resourced either by the Salix fund or by budget holders. Projects will be considered on a case by case basis in line with the policy using the right assessment tool to ensure the council resources are used prudently.
12. It is proposed that the Council adopts the Carbon Trust's Marginal Abatement Cost Curve (MACC) calculation tool or similar as a business model to guide Investment. MACC considers the cost of CO₂ per tonne saved over a projects life time. This will need careful interpretation, however, as the market price for carbon allowances, which is currently set at £12/tonne, does not represent the true cost of CO₂ emissions for the Council. This is because funds from the purchase of allowances are recycled back to participants with bonuses, or penalties, depending on their position in a league table.

Revenue

13. The CRC Energy Efficiency scheme is a mandatory Cap and Trade Scheme and has allowances and penalties associated with it. CRC initially puts a price of £12 on each tonne of CO₂ emitted via the use of electricity, gas and oil consumed in the councils operations. After April 2013, the cost per tonne of CO₂ will fluctuate and may be significantly higher than £12 per tonne.
14. Under CRC there are fines for not providing accurate emissions data, and penalties for not performing well with regards CO₂ reduction in comparison to other organisations on the league table. In order to avoid being fined sthe Council must:
- Successfully register by the given deadline of September 2010 or incur a fine of £5,000 plus an additional £500 per day until registered
 - Ensure variations on submitted carbon emission details are less than 5% of actuals or incur fines of £40 per tonne of allocated annual allowances (this could equate to a £1m per annum fine)
 - Ensure the Council's evidence pack is complete and up to date or incur a fine of £5 per tonne of allocated allowances (this could equate to £130k per annum fine)
 - Submit reports to time or receive a late fine of £5,000 plus £0.05 per tonne of allocated allowances per working day.

15. With regards to the CO₂ reduction in comparison to other organisations on the league table, the annual Carbon Allowances cost to the Council is currently estimated at £318k per year based on the 26,351 tonnes of CO₂ emitted through the use of electricity, gas and oil in 2008/09. This allowance cost will be recycled back to participants with a bonus, or penalty, of up to 10% (£31k) in the first year, depending on relative performance against other organisations on the league table. This means the recycled amount could increase to approx £349k if the Council performs well in relation to other organisations, or it could be reduced to approx £287k, if we perform badly in the first year.
16. Over the duration of CRC the bonus, or penalty, percentage will increase by 10% each year, to 20% in the second compliance year, 30% in the third and so on. This increases to 50% in the 5th year depending on our position in the league table. Therefore, poor performance (relative to others) could mean annual costs of over £150k in year 5. This system gives us a greater incentive to improve Council performance over time, as the amount of money at stake increases.
17. April 2010 – March 2011 is the reporting and baseline year. The first purchase of allowances will be for the compliance year April 2011 – March 2012. **To meet this timeline requires immediate action by all service managers to ensure accuracy of data collection and to avoid the fines as set out above.**

Property

18. Many of the proposed actions in this report will effect the operation and maintenance of service properties, particularly records of buildings and maintenance of plant and systems within the buildings. To ensure that these issues are covered Capita will need to be engaged in all relevant aspects of the proposals so that the Council is protected from possible Health & Safety and operational risks that the proposed actions may raise.

Other

19. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

20. The Council is bound by the Government's mandatory CRC Energy Efficiency Scheme for the UK that starts in April 2010 which means that all council services are covered by the scheme and must participate in delivering the action plan and thereby minimising costs to the council.

Other Legal Implications:

21. The Council has also adopted the Sustainability Principles and signed up to LAA targets relating to carbon reduction.

POLICY FRAMEWORK IMPLICATIONS

22. The Carbon Reduction Policy proposals are in accordance with the Council’s Policy Framework, and specifically contribute to delivering objectives in the Council’s Climate Change and Air Quality Strategy (2004). The Carbon Reduction Policy can be seen as a commitment to the application of the Council’s Sustainability Principles which were adopted in 2008.

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members’ Rooms and can be accessed on-line

Appendices

1.	Carbon Reduction Policy
2.	CRC Energy Efficiency Scheme Action Plan

Documents In Members’ Rooms

1.	Carbon Reduction Policy
2.	CRC Energy Efficiency Scheme Action Plan

Background Documents

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	Climate Change Act 2008
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Background documents available for inspection at:

KEY DECISION? YES

WARDS/COMMUNITIES AFFECTED:	ALL
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