

DELEGATED POWERS REPORT NO.

1725

**SUBJECT: Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES) –
Purchase of Carbon Allowances****Control sheet**

All of the following actions MUST be completed at each stage of the process and the signed and dated report MUST be passed to the Governance Service for publishing

All reports		
1. Governance Service receive draft report	Name of GSO Date	Chidilim Agada 9/07/2012
2. Governance Service cleared draft report as being constitutionally appropriate	Name of GSO Date	Chidilim Agada 10/07/2012
3. Finance clearance obtained (<i>report author to complete</i>)	Name of Finance officer Date	Greg Pike 18/07/2012
4. Staff and other resources issues clearance obtained (<i>report author to complete</i>)	Name of Resource officer Date	Lesley Meeks 19/07/2012
5. Strategic Procurement clearance obtained (<i>report author to complete</i>)	Name of SPO Date	Martyn Carter 18/07/2012
6. Legal clearance obtained from (<i>report author to complete</i>)	Name of Legal officer Date	John O'Hara 13/07/2012
7. Policy & Partnerships clearance obtained (<i>report author to complete</i>)	Name of P&P officer Date	Julie Pal 10/07/2012
8. Equalities & Diversity clearance obtained (<i>report author to complete</i>)	Name of officer Date	Julie Pal 10/07/2012
9. The above process has been checked and verified by Director, Head of Service or Deputy	Name Date	Craig Cooper 19/07/2012
10. Signed & dated report, <u>scanned or hard copy</u> received by Governance Service for publishing	Name of GSO Date	Chidilim Agada 24/07/2012
11. Report published by Governance Service to website	Name of GSO Date	Chidilim Agada 24/07/2012
12. Head of Service informed report is published	Name of GSO Date	Chidilim Agada 24/07/2012
Key decisions only:		
13. Expiry of call-in period	Date	Not applicable
14. Report circulated for call-in purposes to Business Management OSC members & copied to Cabinet Members & Head of Service	Name of GSO Date	Not applicable

**ACTION TAKEN UNDER DELEGATED POWERS BY OFFICER
(EXECUTIVE FUNCTION)**

Subject **Carbon Reduction Commitment
Energy Efficiency Scheme (CRCEES)
– Purchase of Carbon Allowances**

Officer taking decision **Director of Commercial Services**

Date of decision 23 July 2012

**Date decision comes into
effect** 23 July 2012

Summary	This report seeks approval in accordance with the Council's Statutory Requirement to purchase Carbon Allowances for the CRCEES compliance year 2011-12
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Officer Contributors Nigel Bell Energy Resource Manager, 020 8359 4571

Status (public or exempt) Public

Wards affected None

Enclosures None

**Reason for exemption from call-
in (if appropriate)** Not Applicable

Key decision No

Contact for further information: Nigel Bell Energy Resource Manager, 020 8359 4571

Serial No. 1725

1. RELEVANT PREVIOUS DECISIONS

1.1 None.

2. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

2.1 The Corporate Plan 2012- 2013 commits the Council to delivering ‘Better services with less money’. Compliance with the statutory obligation reduces the Council’s exposure to penalties under the CRCEES.

3. RISK MANAGEMENT ISSUES

3.1 I do not consider the issues involved are likely to raise significant levels of public concern or give rise to policy considerations as the decision relates to compliance with the Council’s statutory obligation.

3.2 The main issues in this project have been summarised in the following table:

Risk	Early Warning Mechanisms/ Hazards	Residual Risk		Consequences / Mitigating Actions
		Likelihood	Impact	
Failure to purchase & surrender Carbon Allowances may result in the Council receiving a penalty under the CRC EES	NA	High	High	Estimated cost of penalty based on carbon emissions £1.2M.
Risk that allowance requirement may be higher than provision		Medium	Low	Mitigating Action: Purchase Carbon Allowances by end of 31 st July 2012 & surrender by 28 th Sept 2012 Necessary additional expenditure will be set against the 2012/13 £500K provision for carbon allowances which is held within the central expenses budget.
Risk that additional emissions may be ascertained		Medium	Medium	Purchase of surplus Carbon allowances which if not surrendered can be held over for 2012-13

4. EQUALITIES AND DIVERSITY ISSUES

4.1 As part of the process the Council will pay due regard to its public sector equality duty.

5. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

5.1 Provision for allowance purchase of £387K has been made in the 2012/13 accounts for the liability that was incurred in financial year 2011/12.

5.2 This report seeks permission now to draw down on that provision and purchase the necessary carbon allowances once that the liability has been determined.

5.3 The permits will be drawn on cost centre 10640 and the provision will be drawn down to mach off against expenditure.

5.4 Excess allowances will be purchased and surrendered if additional emissions are ascertained. Allowances not surrendered can be held over for 2012-13

5.5 Should the allowance requirement exceed the value of the provision the necessary additional expenditure will be set against the 2012/13 £500K for carbon allowances which is held within the central expenses budget.

6. LEGAL ISSUES

6.1 The payment for CRCEES Allowances is a requirement under the CRC Energy Efficiency Scheme Order 2010 and detailed provisions for the same can be found under the CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012.

7. CONSTITUTIONAL POWERS

7.1 Constitution, Part 3, Responsibilities for Functions, paragraph 6.1 states that Chief Officers can take decisions concerned where it is in respect of operational matters within the Chief Officers sphere of managerial or professional responsibility and is not significant in terms of budget or policy.

7.2 The Council's Contract Procedure Rules (CPRs) are not applicable in this case as this is a direct payment to the Department of Energy & Climate Change (DECC) under a statutory requirement and is not for the provision of either goods or services as contemplated under the CPRs.

8. BACKGROUND INFORMATION

8.1 The CRCEES is a mandatory climate change and energy saving scheme which forms a central part of the UK's strategy for improving energy efficiency and reducing carbon dioxide (CO₂) emissions. The scheme is seen as being important in helping to achieve the UK's ambitious emissions reduction targets set out in the Government's Climate Change Act 2008 which aims at reducing greenhouse gas emissions by at least 80% by 2050 and CO₂ emissions by 26% by 2020, as compared with a 1990 baseline.

8.2 The scheme principally covers sources of CO₂ emissions from electricity and fossil fuel usage derived from fixed point sources such as buildings and industrial processes. The CO₂ emissions derived from non employment related domestic

properties, transport sources and those already included in specific Government climate change schemes are excluded from the CRCEES.

- 8.3 The Council completed its scheme registration process in September 2010 and the Council's level of consumptions established its status as a full participant in the scheme exceeding the qualification threshold set at 6,000 Megawatt hours.
- 8.4 The CRC is divided into phases with the initial phase beginning as of April 2010 to the end of March 2014. Each phase is further divided into compliance years which run from 1st April until 31st March. The Council together with all other full scheme participants are required to submit an annual carbon emissions report to the Environment Agency and purchase and surrender carbon allowances to the Department of Energy & Climate Change (DECC) to cover their carbon emissions for each compliance year commencing from 2011/12.
- 8.5 The allowance liability is in the process of being determined based on the Council's obligations under the CRC EES and this report seeks permission to draw down on that provision and purchase the necessary carbon allowances once that liability been determined. Once purchased, sufficient Carbon allowances have to be surrendered by 28th September 2012 to cover the Council's 2011-12 carbon emissions. Any surplus allowances will be retained within the CRC registry for use in 2012-13 reporting year.
- 8.6 Carbon allowances are set at £12 tonne in the 2012 sale and will be subject to the government Budget process for future years. As noted in section 3.2 failure to purchase and surrender allowances can result in substantial penalties.
- 8.7 For the purposes of buying, surrendering and trading allowances the council has opened a CRC Compliance Account with the Environment Agency (scheme administrator).
- 8.8 The revenue raised by the purchase of allowances will be retained by the Treasury and is non-refundable.

9. LIST OF BACKGROUND PAPERS

- 9.1 None.

10. OFFICER'S DECISION

I authorise the following action:

- 10.1 To draw down on the Council's allowance provision for 2011/12 and if required 2012/13 to purchase and surrender the necessary carbon allowances once that the Council's carbon liability under the CRC EES has been determined.**

Signed **Craig Cooper**
Director of Commercial Services

Date **23/07/2012**