

**SUMMARY AND ANALYSIS OF RESPONSES TO THE SEPA
CONSULTATION ON THE PROPOSED ENVIRONMENTAL
REGULATION (SCOTLAND) CHARGING SCHEME 2016**

Consultation issued: 26 June 2015

Consultation closed: 17 September 2015

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1. Background

- 1.1 SEPA is obliged to recover from operators the costs to us of regulating the activities for which the operator is responsible. Approximately half of our income comes from such charges; the remainder is from government grant-in-aid (GIA).
- 1.2 We propose to replace five existing schemes – covering 90% of our chargeable income - with a single system which prioritises our efforts to areas of activities that have potential to cause most harm and where poor practice is more likely. Our aim is not to increase the annual charges income, but rather to provide more transparency and a more balanced approach to allocating charges.
- 1.3 Moving from five charging schemes to one single, more consistent, scheme inevitably means that some charges will change. Our modelling confirmed that most charge payers will see a relatively small change in charges. Some will, however, see significant increases or decreases. We proposed that changes will be phased-in to help mitigate any impact.
- 1.4 Reform of charging is a key aspect of SEPA and Scottish Government's joint Better Environmental Regulation (BER) agenda. It will be accompanied by changes in the way SEPA regulates activities. As stated, we will increasingly focus our effort where it is most needed. This will result in more effective protection and improvement of the environment and help generate positive outcomes for communities and the economy.
- 1.5 Aspects of our reform agenda include reforming permits and pursuing simpler, clearer and more joined-up application processes, with support and guidance, to help save time and money. We also plan to improve how we work with industry sectors, and also deal more effectively with illegal operators, such as those involved in waste crime, helping to deliver a level playing field for legitimate operators in which environmental crime does not pay. We will continue to engage our stakeholders as we further develop this agenda on regulatory reform, giving stakeholders plenty of opportunities to help us shape future environmental improvements in Scotland.
- 1.6 SEPA has worked on the development of the new scheme since 2010 as part of our Better Regulation Programme. We carried out formal consultations on the principles of a new approach to charging in 2010 and 2012, and this showed support for achieving full cost recovery; moving to a more proportionate and risk-based approach; more effective use of charges to tackle environmental crime; and intervention charges for poor performance.

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2. Why we consulted

- 2.1 SEPA must consult when introducing new charges or proposing major changes to charging schemes. The consultation on the new scheme issued on 26 June sought views on perceived impacts on different sectors, technical aspects of the scheme, the proposals for phasing the charge changes and proposals for amending exemption rules.
- 2.2 We have reviewed the feedback that we have received from the consultation process and modified the scheme where appropriate within the framework and principles of the scheme. Some feedback will feed into work going forward as we continue to review and update the scheme. The reviewed scheme has been approved by ministers and we plan to bring the new charging scheme into effect on 1 April 2016.

3. How we consulted

- 3.1 SEPA took a pro-active approach to engaging with charge-payers to make them aware of the consultation. Strong engagement continues to be a fundamental aspect of developing and implementing the new charging scheme.
- 3.2 In early 2015, prior to consulting on our final proposals, we held sector meetings with customers and representative bodies where we invited them to comment on our emerging proposals for constructing the scheme and its underlying data. We also used these meetings to explain the type of data that we needed to calculate charges and to encourage operators to help us ensure the accuracy of the data. These meetings raised awareness of the proposed consultation and improved the accuracy of the data.
- 3.3 The consultation was issued on 26 June. In addition to opening the public consultation, we wrote to existing charge payers to draw their attention to the proposed changes and the opportunity to engage in the consultation. The letters from SEPA also provided charge payers with access to a web-based tool where they could view their charge details. This was an innovative feature of the consultation that made details of current and projected charges for all licence holders and charge payers easily available. This allowed respondents to make well informed comments.
- 3.4 We established a dedicated help-line phone number and e-mail address for customer queries.
- 3.5 During July, August and early September, 11 sector meetings and teleconferences were held with more than 50 sector representatives and charge payers.
- 3.6 Use of the web-based tool was monitored. We rang or emailed those operators who had not used the tool and faced large increases in charges. We highlighted the potential increase in charge and helped them to access their charges. In addition, we emailed reminders to trade associations and other representative bodies.
- 3.7 The consultation was due to end on 17 September, with responses accepted up to 24 September where an intention to formally respond had already been made.
- 3.8 Further details about the consultation process are in Annex 1.

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4. Responses to the consultation

- 4.1 SEPA issued 5420 consultation letters to charge payers holders, to draw their attention to the consultation and tell them how to access information on the impact on their charges. We also passed details to trade associations and other representative bodies.
- 4.2 A total of 539 customers logged in to the web-based tool to check their charges, representing:
- 4600 (38%) licences;
 - £21M of annual income (equivalent of c70% of charges).
- 4.3 In addition to accessing the formal consultation on-line, almost 200 customers called or e-mailed our support line where staff helped them access their information, or accessed it on their behalf, and answered questions. About 70 of these enquiries required discussion of the details of how the charge would affect operators and what changes to the scheme might be appropriate.
- 4.4 A total of 83 formal responses were submitted from a wide range of sectors, representing:
- 15% of those that checked their charges;
 - 39% of charged licences held;
 - 52% of our annual charges income.
- 4.5 This response rate is in line with similar charge-scheme related consultations previously held by SEPA. Detail of submissions, queries and answers are expanded in the following sections and the annexes.
- 4.6 More details about which sectors accessed the consultation are in Annex 1. A full list of respondents is set out in Annex 2.

5. Consultation analysis

- 5.1 The consultation asked for comments on our proposals. We asked the following four broad open questions to help people structure their responses in a similar manner.
- Q1. Do you have any suggestions for modifying the way the scheme has been constructed, to remove any unintended or unfair consequences to you or your sector?
- Q2. Are there any specific technical issues you have with the working of the scheme as proposed?
- Q3. We are proposing a five-year phasing-in period between 2016-2017 and 2020-2021. We would welcome views on whether this timeframe is workable.
- Q4. The scheme will include some proposed changes to the exemptions and reductions that have been applied in previous schemes and we would welcome your views on their scope and how they are defined.
- 5.2 Some people followed these questions whilst others focused on particular issues of concern to them. In analysing the responses we have categorised responses according

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to these four questions and then brought together other issues of concern (typically these are expressed in sectoral terms).

Q1. Do you have any suggestions for modifying the way the scheme has been constructed, to remove any unintended or unfair consequences to you or your sector? (The principles applied, including application charges).

5.3 Under this question, we brought together broad comments on the overall construction of the scheme.

Annual charges

5.4 A total of 34 comments were made referring to the principles of the annual charges part of the scheme, its overall construction or intent. The majority supported the principles.

- Many of those who supported the principles of the scheme had concerns about the financial consequences or had questions of detail.
- A few agreed with the principles of the scheme but had major comments on an aspect of the scheme ('Yes but' category in Figure 1).
- Those who approved of the principles upon which the scheme had been constructed were spread across waste, water and pollution prevention and control (PPC) sites.
- Aquaculture companies constituted a large proportion of those who opposed the way the scheme had been constructed. They considered that the development of a single scheme across all charge-payers led to inappropriate charges and was too bureaucratic. This sector faces very large increases in charges.
- Some respondents suggested that SEPA's costs should be spread more widely across all those whose activities which require us to take action. Specific examples of where respondents considered that charges should be introduced included small hydropower schemes and diffuse pollution.

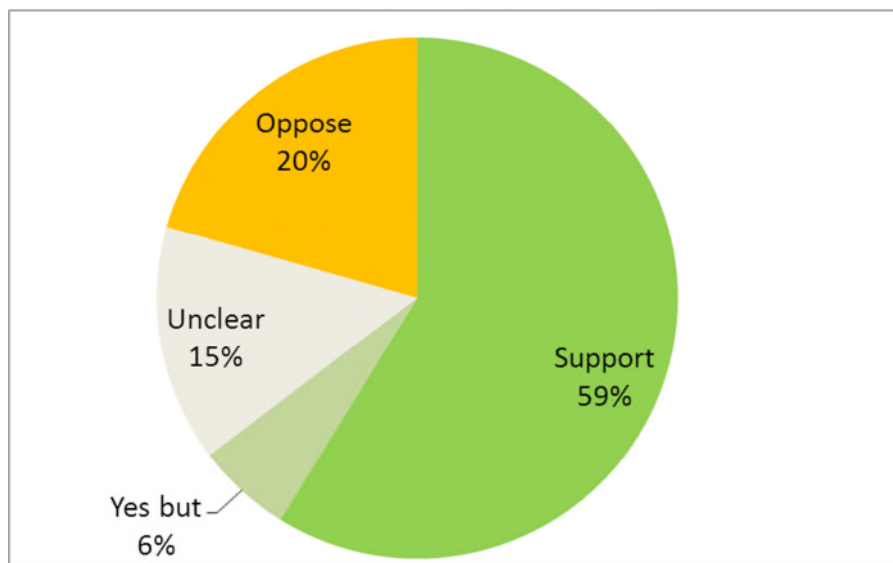


Figure 1: Attitude of respondents to the overall construction of the scheme.

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SEPA response

- 5.5 We are confident that a consistent approach to charges, across all the sectors that we regulate, delivers a better and fairer system of charge allocation. Consequently, we do not propose to change the overall structure of the new scheme.
- 5.6 We agree that the costs of SEPA's work should be spread more widely in order to ensure cost reflectivity and delivery the polluter pays-principle. This is why we are proposing to remove numerous exemptions from charges in 2018. We do not propose to introduce charges for our diffuse pollution work as this is funded by the Scottish Government through grant-in-aid (GIA).

Application charges

- 5.7 There were 26 comments on the application charges. The key issues raised are listed below.
- a) Consultees expressed concerns that limiting pre-application time for discussions would undermine this very useful process. It was suggested that more of this cost should be covered by grant-in-aid (GIA) or that SEPA should charge extra for dealing with pre-application discussion where this exceeded the set amount.
 - b) The consultation papers included a lot of detail about how we calculate our costs and what we include as chargeable costs. However consultees wanted to be reassured that the costs were clearly based upon the time taken to deliver an application. Most consultees, however, did not express concerns about the costs of the application process but were more concerned that the charges funded a good and efficient service. There were some concerns that the proposals to charge on a 'time-and-materials' basis for large and complex projects might allow SEPA to charge excessive costs.
 - c) Some consultees, mainly operators of pollution prevention and control (PPC) processes, questioned the costs for permit reviews.

SEPA response

- a) Pre-application discussions are both helpful and, in some cases, essential when processing applications. We wanted to build in a transparent approach to the time we allocate to pre-application discussions. We recognise that sometimes pre-application discussions will take longer than the allocated time and it is not our intention to limit the discussions on such applications. We will cover any requirements beyond the funded amount of pre-applications costs from GIA. However, we may not accept an application which will clearly exceed the allocated time to process because of the poor quality of the application. We will review this position further during the 2017 review to look at further options for improving both process and cost recovery in this area.
- b) The costs and charges for processing applications and issuing authorisations are based upon average workload planning figures and upon many years of experience processing applications. We recognise the concerns about how the costs for large and complex projects are generated and we will produce guidance for our staff and operators to inform the process. We will also aim to reach an agreement at the beginning of each year of the project of the estimated costs for the year. We will cap the costs for that year at this agreed level. We do not foresee more than one or two large and complex projects arising each year.

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We intend to consult on a wide range of changes to simplify, streamline and standardise the authorisation arrangements associated with our main regulatory regimes. This will be undertaken in spring 2016 and will contribute to the development of the single authorisation framework under the Better Environmental Regulation programme. The new scheme is sufficiently flexible to allow us to amend application and activity charges promptly to reflect any changes.

- c) We have reassessed the authorisation review charges and ensured that the highest charges only apply when major changes to the permitted activities occur. All administrative reviews will no longer be subject to charges. In addition, reviews which are intended to only deliver environmental improvements will also be free or capped at 30%. Only major changes to a permitted activity that may increase the environmental risk will attract the full review charge (70% reduced from 75%).

Q2. Are there any specific technical issues you have with the working of the scheme as proposed?

Activity charges

5.8 24 comments were submitted relating to the activity charges.

- a) Consultees accepted that the activity charge was intended to reflect the direct effort at sites but questioned some aspects of the calculation process such as had we correctly calculated the workload which was associated with the charge. They asked us to review this regularly to ensure that charges remained cost reflective.

SEPA response

- a) The consultation papers included a great deal of detail about how we calculate and allocate our direct and indirect regulatory costs and what we include as chargeable costs. We are committed to improved explanations of how the scheme is constructed.

We believe that we have taken account of the appropriate regulatory and monitoring costs when calculating the new charges at this stage. These calculations were subject to third party review. The conclusions of the review were published with the consultation.

We have built in a review of the scheme after two years and then every three years. We recognise the need to carry out reviews regularly to ensure that charges remain cost-reflective of the effort we need to regulate particular sectors and also to take account of efficiencies in the way SEPA regulates.

We have accepted a number of the detailed changes proposed by consultees and these are listed in Table 1.

Emission charges

5.9 A large proportion of the comments (56) were associated with the calculation of the emissions charge; most (62%) were on the details of the calculation to produce the emission assessment score (EAS). In some cases operators suggested potential changes which would, from their perspective, improve the calculation.

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- a) Charge-payers questioned whether the calculations used to derive the SPRI¹ returns reflected the operations at their sites.
- b) Some operators had concerns over the pollutants included within the calculation.
- c) Waste operators were concerned about the tension between charging on the basis of the weight of material handled and the ambition to provide an incentive to encourage recycling and recovery.
- d) Operations subject to abstraction charges considered that charges should be based upon actual abstraction volumes.
- e) The term “emission charge” was misleading particularly for the waste sector and amongst those responsible for water abstractions because volumes abstracted and waste volume throughput are not perceived as ‘emissions’.

SEPA response

- a) The SPRI returns are used to produce the PRTR² as part of the returns to the European Union. It is very important that these returns are correct. The legislation places the onus to make the correct return on operators. We will work with operators to ensure that the methods used to calculate SPRI returns are reviewed and updated as required. We will aim to complete this so that any changes can be incorporated into the 2017 review.
- b) We constrained the number of pollutants included under the scheme to keep the calculation simple. We will review the range of pollutants included within the scheme in 2017.
- c) We consider that it is correct to link charges to the weight of material handled by waste management sites, as this means that large sites will pay more than small sites. It is also appropriate that as the handling of material moves from landfill sites to recovery and recycling (over the next few years), that SEPA’s regulatory effort, and therefore charges, should follow. We will develop better information on which sites recover, recycle, treat, dispose or incinerate. We believe that this information could then be used to strengthen the waste hierarchy factor within the charging scheme. We will review this aspect of the scheme with the industry as part of the 2017 review of charges. This review will also consider how to further develop other aspects of the calculation such as the categorisation of EWC³ codes into hazard bands and the use of thresholds to identify which sites are subject to a variable emission charge.
- d) We agree that using actual volumes abstracted would be an improvement and will work with operators to improve the data received from them so that we can develop a charge based upon actual abstraction volume as part of the 2017 review. We are not convinced of the value of using actual impoundment volume however we will discuss this with operators over the period leading up to the 2017 review.
- e) We have changed the term ‘emission charge’ to ‘environmental component’ as this better reflects this aspect of the charging scheme. We will communicate this to stakeholders as part of the new schemes implementation.

¹ Scottish Pollutant Release Inventory

² Pollution Release and Transfer Register

³ European Waste Catalogue

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Compliance factor

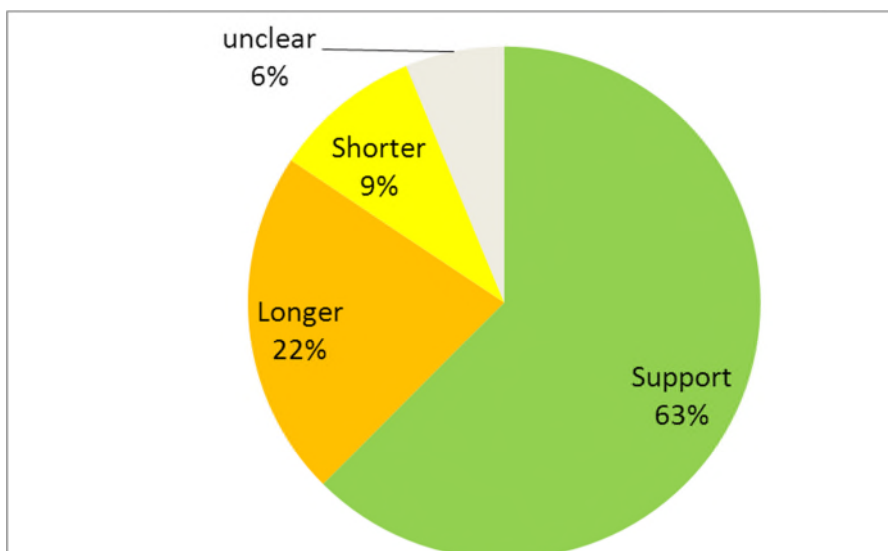
- 5.10 There were 34 comments on the compliance part of the scheme which aims to recover SEPA's cost for sites which fail to comply with the licence conditions.
- 5.11 Most of the comments (65%) were supportive of the proposals but identified issues associated with the design of parts of the compliance factor. Only 7% opposed the proposals for a compliance factor.
- a) Many respondents (36%) were concerned that the proposals for reviewing the Compliance Assessment Scheme (CAS) made it difficult to understand the potential implications of the charging scheme compliance factor.
 - b) Some respondents (29%) considered that sites which complied with their licence conditions should be given reductions in charges.

SEPA response

- a) SEPA understands this concern and has proposed that the compliance factor should not be introduced until 2018-2019. SEPA has consulted on a new CAS and is currently considering responses. We will consult further in 2017 on the detailed design of this part of the charging scheme. In 2017, we will be able to model the effect of the compliance factor and this will inform the consultation process.
- b) The introduction of the compliance factor will mean that the charges of those who comply with their licence conditions will progressively fall.

Q3. We are proposing a five year phasing-in period between 2016-2017 and 2020-2021. We would welcome views on whether this timeframe is workable.

- 5.12 There were 32 comments about the proposals to phase the changes in charges over five years.
- 5.13 Most consultees supported the proposal to phase-in the charges over five years. Those facing large increases considered that the period over which the charges could be phased should be extended to between seven and 10 years. Those benefiting from reductions suggested that the period over which the charges are phased should be reduced or removed entirely so that the changes came into immediate effect.



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Figure 2: Attitude of respondents to the compliance factor.

SEPA response

- 5.14 We consider that five years strikes the right balance between bringing the current proposed scheme into effect over a reasonable time period and mitigating the adverse effects of large increases in charges. We therefore propose to retain the five year phase-in period with reviews after two and five years.

Q4. The scheme will include some proposed changes to the exemptions and reductions that have been applied in previous schemes and we would welcome your views on their scope and how they are defined.

- 5.15 There are currently a very large number of licences which are exempt from charging. The consultation proposed that in 2018-2019 we should introduce charges for most of these licences. In particular, it was proposed that exemptions should be removed for:
- licences which were not active (e.g. fallow fish farms and irrigators who notify that they will not be abstracting water);
 - small hydropower schemes between 0.1MW and 2MW;
 - small-scale discharges that were not on the sampling plan.
- 5.16 The key responses from consultees were:
- a) Consultees who would be affected by this proposal opposed it and/or considered that the proposed charge was too high. One company strongly supported the proposal of removing exemptions from charging and thereby spreading SEPA's costs over a larger charging base.
 - b) Consultees objected to any charges for sites granted an authorisation but where no work had started on site preparation.

SEPA response

- a) We consider that removing charge exemptions is desirable because it is appropriate the operators who hold a licence or permit should contribute towards the costs of SEPA's the regulatory work. There will remain large numbers of very small activities covered by registrations, notifications and General Binding Rules (GBR) which will not be subject to annual charges. Typically the environmental risks associated with these very small activities are low and therefore the costs to SEPA are normally small. We will continue to review the charges for registrations and notification and ensure that any significant on-going costs associated with them are appropriately recovered.
- b) We have modified our proposals so that there are no charges for sites where an authorisation has been issued but construction of the facility has not started. Charges will start as soon as the authorisation is issued where no construction is necessary (for example, mobile plant and irrigation).

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Micro activities

- 5.17 We aim to set charges that are cost reflective. A key attribute of all charging schemes is that large operators pay more than small-scale operators because the potential environmental harm caused by large operators is greater than that for small-scale operators in the same sector.
- 5.18 In the consultation we proposed micro activity charge(s) and said that “We would welcome the identification of other appropriate activities which could fall into this category together with an explanation of how the size threshold could be defined.” We proposed this to ensure that very small or craft-scale activities do not attract disproportionate charges.
- 5.19 We proposed that initially the following activities will be categorised and charged as micro activities:
- small fish hatcheries which only rear fish to restock their own fishing club waters;
 - abstraction for winter storage for irrigation;
 - vintage car enthusiasts who keep a spare vehicle(s) for spares or repair and who are clearly not commercial car dismantlers.
- 5.20 The key responses from consultees were:
- a) Operators welcomed the micro activity category and expressed views on what activities should fall into that category highlighting what would otherwise be disproportionate charges.
 - b) Small waste operators said the banding system does not make allowance for small recycling businesses in rural areas making them unable to compete if expected to pay the same licence fee.

SEPA response

- a) We have increased the number of very small activities which will fall into the micro-category. We propose to apply a fixed annual charge of £150 for micro scale activities. This will substantially reduce the charges from those originally projected for some activities.

To be categorised and charged as a micro-activity, an activity must:

- be of small-scale;
- assessed by SEPA as a low hazard activity;
- fit within the activity type descriptions given by SEPA in guidance.

Such sites will be subject to infrequent levels of inspection and/or monitoring.

- b) We have reduced the activity charges for small waste management activities. We will also progressively improve the definition of this activity type as improved data on waste sites becomes available. We will further develop these provisions as part of the 2017 review.

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6. Other comments

Financial impact

- 6.1 Moving from multiple different charging schemes to a single, more consistent charging model inevitably means that charges for some will go up, for some will go down. More people benefit with reductions (59%) than have increases. Most increases are relatively small with 76% having a decrease or an increase of less than £500 over five years.
- 6.2 Although more charge-payers benefit from reductions in charges than face increases under the proposed scheme, most feedback came from operators who face an increase: 28 consultees raised concerns about the financial impact of increases and two consultees welcomed reductions in charges.

Aquaculture sector

- 6.3 The largest number of consultation responses came from the aquaculture industry with 27% of comments from marine farms and a further 12% of the comments from the freshwater fish farms sector.
- a) Some representatives of the marine sector considered that the large increases of charge could have an impact upon their business but the main complaint from the marine sector was questioning the justification of the increased charge and whether it was going to be associated with SEPA directing more resources to support the industry.
 - b) In contrast the feedback from the freshwater farms focused on the impact of the increased charges upon their business which many claimed was unaffordable especially for small sites.

SEPA response

- a) The increase in marine aquaculture sector charge is intended to address an issue of long-term under-charging of this sector. The increased charges also reflect the fact that SEPA plans to redirect resources towards this sector. The result will be a better level of service for an expanding sector.
- b) The position for the freshwater sector is very different. This sector is relatively small and has not expanded significantly over the past 10 years. The industry has identified some technical issues about how SEPA has calculated the annual charges. As such we have made changes to address these concerns and this has halved the scale of increase for this sector.

Agricultural sector

- 6.4 Agriculture was responsible for 16% of the comments on the financial aspects of the scheme. Most farmers benefit from reductions under the proposals and there was one comment welcoming a reduction in charges. The agricultural sector most affected by increases are the larger farms covered by PPC permits (intensive pig and poultry rearing).
- a) The key concerns from the pig and poultry sectors were the scale of the increase.

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- b) There were also complaints about the level of service currently provided by SEPA to this sector.

SEPA response

- a) We have reviewed the way we have calculated the charges for large scale pig and poultry sites and have found no basis for reducing the charges. The new charging scheme is more progressive for agriculture than the old scheme. It reduces charges for small-scale agricultural activities but increases charges for large-scale activities (industrial-scale livestock and large-scale irrigators). We believe that this is correct and we therefore do not propose to make any changes.
- b) We agree with the industry that the level of services should be improved. To deliver improvement SEPA has now set up a team which will provide dedicated support to the industry. This will deliver improved levels of service and enable them to adapt to new legal requirements for lower emissions. This in turn should lead to lower charges.

Waste management sector

6.5 A large percentage of comments (35%) came from the waste industry.

- a) Local authorities were concerned about the scale of increase and the justification for them at a time when they saw reductions in the level of their income.
- b) The strongest concerns came from the recycling sector especially small-scale operators, some of whom claimed that the charges were unaffordable.

SEPA response

- a) SEPA has had to devote increasing amounts of resources to regulating the waste industry and increases in charges are unavoidable to ensure that the scheme is cost reflective.
- b) We do recognise that charges for some of the smallest operators may cause financial hardship and we have reviewed the appropriate level of regulation for these sites. We will lower the activity charge for very small waste activities.
- c) We also intend to strengthen the effectiveness of the waste hierarchy factor within the scheme which will benefit sites that recover/recycle. This is dependent upon getting better quality data returns from sites.

Public water supply and sewerage

6.6 This sector contributes a large proportion of SEPA's income. Consequently, changes in their charges have big impacts upon the charges of other sectors. Under the proposals SEPA consulted on, contribution made by public water supply and sewerage would reduce from 48% to 37% by 2020-2021. This is equivalent to £2.9m which is redistributed across other charge-payers.

6.7 Any further reductions in charges for this sector would have unacceptable impacts upon other sectors. Consequently, SEPA has decided to fix the charges paid by public water supply and sewerage at this level until 2020-2021.

7. Future charges consultations

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- 7.1 In order that charges can continue to reflect SEPA's plans and effort, our charges will be reviewed by 2018-2019 and then every three years. This will allow us to address some further issues raised in the consultation and adjust charges to reflect any changes in the allocation of our resources.
- 7.2 Any changes to our charges, following the review, will be subject to consultation during the year prior to implementation. Consultees will be provided with projected charges for each period.
- 7.3 The first review period will only be two years to allow early intervention to resolve any issues that have emerged during the implementation of the scheme. We will publish a further consultation in 2017, to include:
- non-use charges;
 - charges for smaller hydro generation activities;
 - use of actual water abstraction volumes;
 - a revised calculation of the waste environmental assessment scheme (in particular the strengthening of the waste hierarchy factor);
 - review of SPRI and other data.

8. Summary of changes made following consultation

- 8.1 The stakeholder feedback on the consultation was very valuable in identifying how the scheme could be improved. Overall, the feedback supported the principles and construction of the scheme. However, consultees identified a significant number of technical changes which would improve the scheme. Some of these changes we propose to make immediately in time for the scheme coming into operation in 2016-2017. A number of other changes require work to prepare and we will consult on these as part of the review planned for 2017. If approved, these latter changes would be implemented in 2018-2019.
- 8.2 Table 1 summarises the changes that SEPA proposes to make following the consultation.
- 8.3 Table 2 shows the consequences of the changes for charges at a sectoral level. SEPA has also updated the underpinning data and this has also affected charges. For example, SEPA has updated the references to SPRI so that they refer to 2012 to 2014 (update from 2011 to 2013). We have also updated the compliance data used to calculate the activity charge from 2013 to 2014.

Table 1. Summary of SEPA responses to feedback from the consultation

Consultation feedback	SEPA response
Annual charges: waste management	
Civic amenity (CA) sites are a lower risk than waste transfer stations	We have reviewed the hazard scores for civic amenity sites and given them a different category. As a result, charges for civic amenity sites are lower.

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Landfill categories don't take account of low-risk closed landfill site	We have reviewed the categories and charges and consider that the charges consulted on are correct. SEPA is likely to focus more work on closed landfill sites.
Annual charges: discharges to water	
Charges for small scale fish farms appear excessive.	We agree that there should be a category for small cage farms producing <= 20 tonnes per year. We have reviewed the charges for freshwater cage fish farms and very small non-commercial hatcheries and allocated them into low impact and micro-activity categories.
Emission loads do not take account of influent loads to freshwater fish farms	We will lower the emission load by a factor (0.5) to take account of the influent load for freshwater fish farms.
Winter irrigation and off-line storage should be encouraged	We will introduce lower charges for winter only abstractions.
Marine cage fish farms charges should be calculated on the basis of a scheme specifically designed for the sector	We believe that the charges for marine cage fish farms should be set on the same basis as all other activities. We do not propose any changes to the method of calculating the charges.
The emission charges for marine fish farms should be based upon a four year average rather than a three year average	We believe that the emission charges should be based upon the same rules for all activities. It would complicate the scheme if we accepted that the method of calculating the charges could vary between sectors.
Marine fish farm chemicals should not be included in emission calculation	We will not introduce fish farm chemicals into the calculation of charge for 2016. The longer term position is still under consideration. This is part of a wider decision about whether the pollutant list should be limited. We may consult on the implication in 2017.
Discharge to water Emission Charge: Should change hierarchy for selecting flows to calculate loads so that measured flows are used first	This has been implemented.
Consultation feedback	SEPA response
Revise pollutant thresholds for ammonia (marine) and copper (freshwater)	This has been implemented.
Annual charges: emissions to air	
Charge for PPC pig and poultry licences are too high	We have reviewed the charges and consider that the charges are correct. SEPA is likely to focus more work on these sites.
Air emission charge could double counting some VOCs	Have amended to remove double counting.
Annual charges: all media	
Charges will have a disproportionate financial impact	In the consultation we asked for candidate micro and low impact activities. We have reviewed the list of very small activities

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upon very small businesses	across media and sectors and modified the activity descriptions for some small and micro-activities. We have also created lower charge bands for small scale activities within waste and some other sectors.
Application charges: all media	
Variation charges for PPC sites are too high	We have reviewed the charges for variations and have ensured that the highest charge for reviews (70% reduced from 75%) only applies where there is a major change to an authorisation which requires substantial technical analysis work. Where such work is required to deliver an environmental improvement the costs will be capped at 30%. We have also removed the charges for claims that information provided as part of the application should be treated as commercially confidential.
The simple licence application charges for sediment management are too high	We agree and have reduced simple-licence application charges for sediment management to £600.
Annual charges: issues to be subject to further consultation in 2017	
Abstraction emission charge: Use actual volumes rather than licensed volumes of abstraction	Licensed volume is the best information currently available. We will aim to improve operator abstraction data and consult on changing to actual volume abstracted as part of the 2017 review.
SEPA consulted on the introduction of charges for small hydropower schemes (0.1 to 2 MW)	We propose to proceed with this proposal and to consult on charges for these activities in 2017.
SEPA consulted on introducing 'non-use' charges (mothballing, fallow)	We propose to proceed with this proposal and to consult on the charges in 2017.
It is unreasonable to apply 'non-use' charges to prebuild licensed sites	Annual charges will commence when construction work starts.

Consultation feedback	SEPA response
<p>Improve the waste Emission Charge: There should be greater reductions in charge for those supporting recycling</p> <p>Material hazard factor should be enhanced</p> <p>There is a step change in charges between variable and fixed emission charge</p>	We agree but we cannot do this on the basis of existing data but will work with industry to improve the waste data returns and thereby further develop the waste Emission Charges.
Need to update calculation of marine fish farm pollutant loads for SPRI	We will work with the industries and will implement any changes in time for 2017 consultation.

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Need to update calculation of pig and poultry pollutant emissions for SPRI	
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Table 2. Changes in the average licence charge per sector – comparing charges under the old schemes, the consultation and current projections for 2020/21.

Licence Sector	No Licences	Average licence charge		
		Old Avg	Consul Avg	New Avg
Agriculture	1,717	464	515	460
Fish Farms	396	3,070	7,263	7,121
Food and Drink	278	3,675	3,517	3,264
PCC Chemicals	46	9,070	8,684	7,228
Other PPC chapter 6	202	2,363	2,628	2,473
PPC Metals	34	3,267	4,899	4,859
Metal recycling	202	2,124	4,895	5,372
Minerals	709	1,401	964	998
Energy	75	31,530	32,017	31,775
PPC Solvents & PVR	776	354	254	174
Non Nuclear (RSA)	544	1,078	747	803
Other	256	2,586	2,214	1,645
Private sewerage and water supply	551	1,721	1,189	1,401
Public sewerage and water supply	2,091	7,023	5,363	5,620
Incineration	44	6,956	8,405	11,147
Landfill	276	6,137	9,282	9,049
Other disposal and recovery	48	19,802	21,057	20,468
Recycling and treatment	168	5,589	8,591	9,335
Transfer stations	405	4,134	4,583	4,723

Annex 1 Consultation process

The objective of the consultation was to seek views on whether charge payers perceived there to be any unintended or unfair consequences and to identify any technical issues with the scheme.

The published consultation document explained why we need to review charges, our core charging principles and the new charging structure. It was supported by nine detailed development papers and information on how customers could access details of their current and projected new charges.

Consultation document

- Section 1 set out the background to our proposals
- Section 2 gave an overview of the proposed scheme.
- Section 3 outlined the objectives of the consultation.
- Section 4 gave details of other sources of information supporting the consultation.

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Supporting information

- Details of how we propose to calculate application and annual charges.
- Details of how we have developed the activity charge.
- Details of how we have developed the emissions charge.
- Assessment of the financial impact of the proposals across sectors.
- Draft legal scheme.
- Glossary of terms.
- Copy report of an independent review of the proposals by Scott-Moncrieff.
- SEPA's response to the independent review.
- Audit recommendations of the independent review of working spreadsheets.

We established a dedicated help-line phone number and e-mail address for customer queries. Some respondents used the e-mail address for submission of their final responses.

During July, August and early September 11 sector meetings and teleconferences were held with more than 50 sector representatives and charge payers.

SEPA wrote or e-mailed existing charge payers to draw their attention to the consultation, providing them with a unique code to access their own licence and charge details. Access to the charges tool was monitored continuously and reminders were issued to larger customers who had not accessed their information towards the end of the consultation period, encouraging them to do so and make a formal response.

Throughout the consultation period we continued to send further details to trade associations and other representative bodies and encourage them to ask their members to respond.

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Who accessed their on-line charges information and submitted a response

Number of responses submitted from each sector

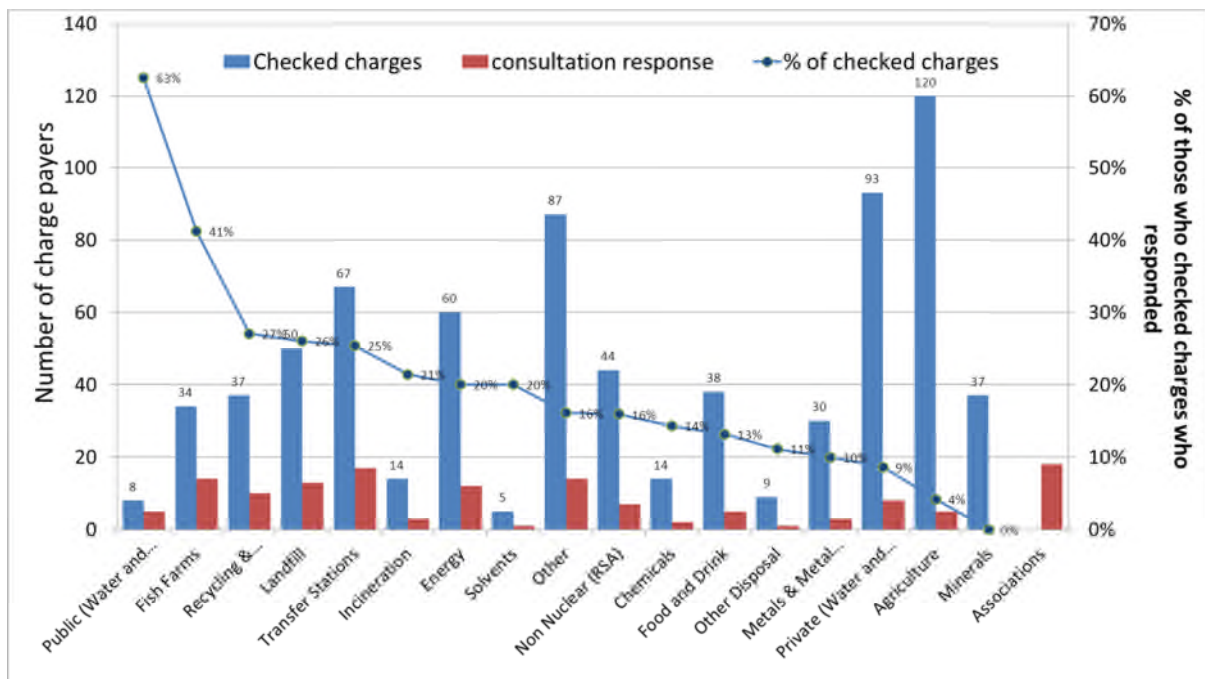
Waste	24
Aquaculture	21
Energy – Hydropower	11
Agriculture	9
Metals and metal recycling	4
Food and drink	2
Non-nuclear radioactive substances	2
Others	5
NGOs	3
Incineration	1
Public water	1

Sectors accessing their on-line charges

LICENCE_SECTOR	Licences	Customers	Customers logged in	% of Customers	Accounts logged in	Licences viewed	% of Licences viewed
Agriculture	1990	1764	120	7%	121	192	10%
Chemicals	50	45	14	31%	14	15	30%
Energy	1271	668	60	9%	63	173	14%
Fish farms	675	139	34	25%	35	483	72%
Food and drink	321	134	38	28%	45	182	57%
Incineration	51	46	14	30%	15	16	31%
Landfill	321	196	50	26%	57	118	37%
Metals & metal recycling	287	255	30	12%	30	42	15%
Minerals	753	273	37	14%	38	153	20%
Non-nuclear (RSA)	618	282	44	16%	45	128	21%
Other	801	562	87	16%	94	162	20%

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Other disposal	55	39	9	23%	9	18	33%
Private (water and wastewater)	1408	1158	93	8%	96	125	9%
Public (water and wastewater)	2602	52	8	15%	9	2493	96%
Recycling and treatment of waste	185	137	37	27%	37	75	41%
Solvents	171	128	5	4%	5	20	12%
Transfer stations	497	272	67	25%	78	205	41%



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Annex 2 List of Respondents

Abbey St Bathans Trout farm	National Grid
Aberdeen Radiation Protection Services	NFUS
Aberdeenshire Council	Norbord Europe Limited
Angus Council	North Ayrshire Council
Anonymous	Perth & Kinross Council
BP	Petroineos Manufacturing Scotland Limited
British Egg Industry Council	QTS Group Ltd
British Hydropower Association	Renewable Energy Association
British Trout Association	Renfrewshire Council
British Trout Farmers Restocking Association	RSPB Scotland
Calachem Fine Chemicals	RWE Innogy UK Ltd (Hydro Group)
Chartered Institution of Wastes Management	Scotch Whisky Association
Chemical Industries Association	Scotch Whisky Association
Cloan Hatcheries	Scottish & Southern Energy
CM Recycling Ltd	Scottish Council for Development and Industry (SCDI)
College Mill Trout Farm	Scottish Enterprise
COSLA	Scottish Land & Estates
Dawnfresh Farming Ltd	Scottish Power
DSRL	Scottish Salmon Producers' Organisation
E.ON UK	Scottish Sea Farms Limited
East Ayrshire Council	Scottish Water
East Lothian Council	Selcoth Fisheries Ltd
Ecodyn Limited	Selcoth Renewables Ltd
Ferrygate Farm Fresh Eggs	SESA
Glasgow City Council, Land and Environmental Services	SLG Technology
Gleaner Oils Ltd	SoilutionsSolutions Ltd
Gordon Mackie	South Ayrshire Council
Hook2sisters Ltd / PD Hook Rearing /	South Lanarkshire Council

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Breeders Ltd	Stevenson Bros
Howietoun Fishery	Stirling Council
INEOS	Strathclyde Skip Hire
Ineos O&P UK	SUEZ Recycling and Recovery UK
Invicta Trout	The Glenmorangie Company
John Lawrie Group	The Highland Council
Kames Fish Farming Ltd	The Moray Council
Keenan Recycling Ltd	The Scottish Salmon Company
Kwickclean	Torhouse Trout Ltd
Lake of Menteith Fisheries Ltd	W&PH Henderson
Landcatch	Wester Ross Fisheries Ltd
Loch Duart Ltd	WH Malcolm
Marine Harvest (Scotland) Limited	Yarrow Fishery
Mill of Elrick Fish Farm	
Mr Mark Ogg	