



SCOTTISH ENVIRONMENT PROTECTION AGENCY

CONSULTATION ON PROPOSALS TO AMEND THE GREENHOUSE GAS EMISSIONS TRADING SYSTEM FEES AND CHARGES SCHEME

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Published by:
Scottish Environment Protection Agency
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THE PURPOSE OF THIS CONSULTATION

This consultation is to inform you of changes to UK regulations to give effect to changes made to the EU Emissions Trading System Directive and proposals to amend SEPA charges to recover the cost of new duties, in line with these changes.

The consolidation of previous versions of regulations also removes specific charges for Aircraft operators from the legislation. SEPA is proposing to incorporate these charges, unchanged, into the SEPA fees and charges scheme.

We are seeking your comments on the proposal to revise the SEPA Greenhouse Gas Emissions Trading Fees and Charges scheme.

Your responses to this consultation will inform the development of the final scheme, which will be submitted to the Scottish Government for final approval by Scottish Ministers.

Copies of all the responses received (except those where the individual or organisation requested confidentiality) will be made available to the public on request and a summary of the main issues will be placed on SEPA's website.

THE CHARGES APPROVAL PROCESS

Any significant changes to a charging scheme are subject to approval by the Scottish Government and Scottish Ministers. Before submitting proposals to the Scottish Ministers we must consult with interested parties.

Consultation documents are produced and usually made available for comment over a 12 week period. The Scottish Government and the Scottish Ministers consider the comments received on the consultation, while having regard to our requirement to set charges to recover relevant costs and expenses. The Scottish Government places copies of the consultation responses in their library and SEPA publishes a summary of comments received (as well as its response to those comments) on the SEPA website.

Fees and charges increases at or below the annual increase in Retail Price Index (RPI), are not subject to consultation.

How to respond

We would like your views on these proposed amendments, the reasons behind your views and, where possible, any evidence you have that supports them.

The consultation period closes on 11 February 2013.

Please send your written responses and the completed form in writing or by email to:

Yvonne Fieldhouse
Scottish Government
SEPA Sponsorship and Pollution Team
Victoria Quay
Area 1-J (N)
Edinburgh
EH6 6QQ

Email: SEPATeam@scotland.gsi.gov.uk

We would be grateful if you could clearly indicate which parts of the consultation document you are responding to, as this will aid analysis of the responses received. Please also submit the enclosed Respondee Information Form (Annex 1) with your response.

All responses will be made public, unless a respondent specifically asks for their response to be treated confidentially. Though, confidential responses may still be included in any statistical summary of numbers of responses received or views expressed.

If you know of others with an interest who have not received a copy of the consultation, please refer them to our website or ask them to contact us, Tel: 01786 455925.

We look forward to receiving your comments.

INTRODUCTION

Earlier this year the Department of Energy and Climate Change (DECC) consulted on new regulations to give effect to changes made to the EU Emissions Trading System Directive and to consolidate previous versions of regulations. These regulations will introduce new regulatory functions and new types of permits, called *excluded installation emissions permits*, for Phase III of the EU ETS. The new regulations are expected to come into force on 1 January 2013.

In order to be able to recover the cost of new duties arising under the new UK regulations SEPA is proposing to introduce new charges.

The consolidation of the previous versions of regulations also removes specific charges for Aircraft operators from the legislation. SEPA is proposing to incorporate these charges into the SEPA fees and charges scheme.

If approved then these proposals will align SEPA and Environment Agency (EA) charges for EU ETS permitted activities.

Revised charges will be implemented following this consultation and approval by Scottish Ministers.

PROPOSED NEW CHARGES

Application for an increase in emissions target following a capacity increase by an excluded installation (opt-out), £1,120

The new regulations will enable a holder of a permit of an excluded installation to apply for an increase in its emissions target following a capacity increase at the installation. In order to process this application, we anticipate that we will undertake broadly the same activities as with an application to the New Entrant Reserve (NER), namely: evaluating the operator's submission, determining the new capacity and start date, assessing the requirement for audit and updating our systems. Consequently, we propose the same charge as the current NER charge. Whilst applications are likely to be less complex and we will not be required to submit them to the Commission, they will not be verified (unlike NER applications) and therefore we will need to undertake some audit work.

Variation of excluded emissions permit following termination of excluded status, £430

This refers to the activity where we vary an excluded installation emissions permit to a full greenhouse gas emissions permit. The term "termination" here is taken from the regulations and is different to the circumstances where a permit is surrendered or revoked.

The activities we will need to undertake include varying and re-issuing the permit, updating our systems to reflect the change in status from an excluded installation, and notifying relevant bodies, such as the Environment Agency, Department of Energy and Climate Change and the European Commission. We estimate that the effort involved will be comparable to the existing variation process and therefore we propose to mirror this charge.

Charges for Aircraft operators

The charges for functions carried out by the regulator that are currently detailed in Schedule 1 of the Aviation Greenhouse Gas Emissions Trading Scheme Regulations 2010 will not be included in the new consolidated regulations. SEPA will therefore incorporate these charges, as follows, in our own charging scheme, without changes.

- (a) determining an application for a benchmarking plan under regulation 9, £830;
- (b) determining an application for a free allocation from the special reserve under regulation 16, £1,120;
- (c) determining an application for an emissions plan under regulation 18, £750;
- (d) determining emissions under regulation 22, £115 per hour;
- (e) varying an emissions plan under regulation 25, £430;
- (f) maintaining a person as an aircraft operator for each year where:
 - (i) the estimated aviation emissions are less than 50 kilotonnes:
£1,920 plus £630;
 - (ii) the estimated aviation emissions are between 50 and 500 kilotonnes:
£2,490 plus £830; and
 - (iii) the estimated aviation emissions are over 500 kilotonnes:
£3,060 plus £1,020.

Other changes in relation to the new 2012 regulations

The new regulations also introduce other regulatory functions, the costs of which we intend to absorb under the annual subsistence charge until we have operational experience of undertaking them. These include processing reductions in allocations following significant capacity reductions or reductions in activity levels.

The regulations also provide for a new category of permit held by *excluded (or "opted-out") installations*. The holders of these permits will no longer be required to surrender allowances and will benefit in a number of areas of reduced compliance work. They will not incur the costs of external verification.

We are not proposing to make a change to the existing charges for excluded installations. Excluded installation emissions permit holders will benefit from reductions in their own costs in complying with EU ETS. We estimate that our regulatory work in relation to them will be broadly comparable to those with greenhouse gas emissions permits. With respect to the subsistence charge, we expect that the reduced registry costs will be at least offset by the increase in cost in having to audit excluded installations (which will not need to have external verification).

Excluded installations will be liable for most of the same charges as existing EU ETS installations, in addition to the new charges listed above. The existing charges appropriate to excluded installations will be: application for a new permit, annual subsistence, variation, transfer, surrender, revocations and hourly charges (where we determine emissions on your behalf). If holders of excluded installation emission permits wish to have trading or person holding accounts, they will also be subject to the existing fees for these accounts.

Financial Impact

We anticipate that these proposals will impact on a small number of activities (<5). If 10% of excluded installations (2 to 3) apply for an increase in emissions and there is one variation of an excluded emissions permit then SEPA annual income will increase by less than £4,000.

Aviation charges will not change for existing permit holders. However an increased number of operators (c10) will be liable for charges resulting in a small increase in income.

ANNEX 1

RESPONDENT INFORMATION FORM

Please Note that this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Title Mr Ms Mrs Miss Dr *Please tick as appropriate*

Surname

Forename

2. Postal Address

<input type="text"/>		
Postcode	Phone	Email

3. Permissions

I am responding as...

Individual

/

Group/Organisation

Please tick as appropriate

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate Yes

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the following boxes

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate Yes

No

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate

Yes

No