



Consultation on carbon units, the net UK carbon account and carbon accounting
Water UK response
January 2009

General comments

1. Water UK is the industry association that represents regulated UK statutory water supply and wastewater companies at national and European level. We are a policy-based organisation and represent the industry's interests with Government, regulators and stakeholders in the UK and in Europe. Our core objective is sustainable water policy – actions and solutions that create lasting benefit by integrating economic, environmental and social objectives.
2. We are grateful for the opportunity to respond to this consultation. We fully support the development of a carbon accounting scheme to monitor compliance with targets and budgets in the Climate Change Bill.
3. The UK water industry is directly responsible for around 5 million tonnes CO₂ (equivalent) emissions per year. In 2006, UK Water Industry Research (UKWIR) and Water UK (in conjunction with the Carbon Trust) began a programme of work to develop methods and tools for consistent measurement and reporting of greenhouse gas (GHG) emissions. This stemmed from a review of existing approaches, which highlighted areas of uncertainty and inconsistency in greenhouse gas reporting.
4. The work is being undertaken in the following phases:
 - a. Phase 1. Development of spreadsheet tool for operational carbon accounting
 - b. Phase 2. Guidelines for Embodied Carbon
 - c. Phase 3. Improved measurement and understanding of non-CO₂ emissions
5. Reports on the first two phases are now available through the UKWIR web site (www.ukwir.org.uk)
6. The Phase 1 report supports a standardised approach to the quantification of GHG emissions arising from the operational activities of UK water companies. The tool is also designed to assist the production of environmental performance indicators, corporate environmental reports, and to facilitate benchmarking. The tool has already been adopted by the economic regulator in England and Wales and reporting against the tool is a regulatory requirement.
7. The Phase 2 report provides clear guidelines for UK water companies for estimating emissions arising from capital investment. The guidelines can also be applied to on-going investment selection and to more detailed project option appraisals. The report builds on the Phase 1 tool by adding a framework for consistent estimation of embodied carbon in construction, and for combining that with operational carbon emissions in 'whole life carbon' accounting.

8. The Phase 3 work is looking at how existing estimated emissions factors for methane and nitrous oxide can be improved. It will explore the sources of uncertainties in current methods of estimating these emissions and identify experimental programmes which could be used to devise better estimation methodologies.

Response to specific questions

Proposal 1: All those carbon units which are recognised under the Kyoto Protocol and EU Emissions Trading Scheme should be eligible to count towards the net UK carbon account. No other units should be eligible.

Question 1: Do you agree with the proposal that all carbon units which are recognised under the Kyoto Protocol and EU Emissions Trading Scheme should be eligible to count towards the net UK carbon account? Should any other units also be recognised or should additional restrictions be considered?

On the principle that climate change is a global issue, we agree that the only carbon units that should be eligible to count towards the net UK carbon account are all those which are recognised under the Kyoto Protocol and EU Emissions Trading Scheme. This should ensure international consistency.

Proposal 2: Government may buy carbon units and designate them as credits by transferring them into the “credit account” and declaring them as such. Credits may include units bought by Government or other public sector bodies to offset emissions from their operations. In addition, units bought by individuals, businesses and other non-Governmental organisations may be designated as credits, if the purchaser so wishes.

Proposal 3: If, at the end of each year, the UK Government has sold carbon units to a third party such that it has reduced its total holdings below its “assigned amount” allowance under the Kyoto protocol, a number of units equivalent to the reduction will be debited from the net carbon account.

Proposal 4: Carbon units bought by participants in the proposed Carbon Reduction Commitment to offset their emissions under the proposed “safety valve” mechanism will be deemed as credits to the net UK carbon account.

Proposal 5: The number of credits to or debits from the net UK carbon account derived from the EU ETS will be calculated as the difference between the total number of units surrendered by UK operators and the total number of units allocated to the operators by the UK Government.

Question 2: Do you agree with the proposals for the circumstances in which units should be credited to or debited from the net UK carbon account? Are there any other circumstances in which carbon units should be considered as credits or debits?

We would welcome a clear definition of public sector bodies (proposal 2), since some of Water UK’s members are owned by government, and all our members have public duties or responsibilities. In particular, we wonder whether public sector bodies are expected to automatically form part of the Government account and would welcome more detail as to the expectations the government has for the role public bodies will play.

The proposals for circumstances in which units should be credited to or debited from the net UK carbon account seem sensible. The diagrams in Chapter 5 were helpful illustrations and it would be useful if this were taken a step further, to see a simple process map of how the proposals would work, showing the interactions between different schemes and how they would impact on the net UK carbon account.

Proposal 6: *By the end of the budget period a number of carbon units equal to the difference in stringency between the carbon budget and the UK's Kyoto target must be cancelled.*

Question 3: *Do you agree that the proposals to cancel units equivalent to the difference in stringency between the UK budget and the Assigned Amount under Kyoto by the end of the budget period is necessary and sufficient to comply with clause 26(4) of the Bill?*

Agree

Proposal 7: *If, after the end of the budget period, carbon units are carried over into the next period, a number of carbon units will be cancelled equal to the amount that is being banked, unless the units are also being carried over for the purposes of Kyoto.*

Question 4: *Do you agree that units that are banked for a future budget period must be cancelled if they are not also being carried over for Kyoto purposes?*

Agree

Proposal 8: *Compensatory action in response to retrospective changes to emissions figures will be taken in the final net UK carbon account for the whole budgetary period.*

Question 5: *Do you agree that compensatory adjustments to retrospective emissions figures should be made in the final net UK carbon account for the whole budgetary period?*

Agree

Proposal 9: *The Carbon Accounting Scheme will utilise the existing carbon accounting systems under the UK Registry, as administered by the Environment Agency, as far as is necessary to calculate the net UK carbon account.*

Question 6: *Do you agree that the administration and operation of the UK carbon accounting system should build on the existing carbon accounting systems under the UK Registry?*

Yes. Existing water industry carbon accounting tools have been designed to be compatible with national reporting guidelines. We would however like to see clarification of how the proposals would address interaction with devolved governments and administrative bodies; for example, the Scottish Environment Protection Agency.