

Emission Trading Scheme Consultation Response

October 2020

Every day SEPA works to protect and enhance Scotland's environment, helping communities and businesses thrive within the resources of our planet.



We call this **One Planet Prosperity**

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<http://contactscotland-bsl.org/>

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Emission Trading Scheme Consultation Response

Objective

This document summarises the responses the Scottish Environment Protection Agency (SEPA) received on the Emission Trading Scheme Charging Scheme Consultation which was conducted over August and September 2020.

Headline

Given the responses detailed below the proposal to Scottish Ministers is to sign-off the charges as consulted.

Background

Why did SEPA consult?

The UK is in the process of leaving the European Union. UK operators will no longer participate in the current Emissions Trading System which covers the EU, instead when the UK leaves the EU this scheme will be replaced by the UK Emissions Trading System or Carbon Emissions Tax in 2021. SEPA require a corresponding charging scheme to allow SEPA to regulate this regime.

How did we consult?

We consulted via our consultation hub and sent several emails to all registered contacts for Scottish ETS operators to encourage responses. We hosted a webinar for all interested operators, discussing the content of the charging scheme and offering operators the opportunity to ask questions or make comments.

Responses to the consultation

A total of three operators responded directly to the consultation, in addition two trade organisations and one consultant responded on behalf of the operators they represented.

Overview of comments and our proposals

Question 4. What are your views on the proposed changes in application charges for installations?

The respondents answered as follows:

Answer	Number of responses	Further respondent comment	SEPA comment
I agree	1		
I'm not sure	3	One respondent agreed with the reduction in Category C application costs but felt it did not offset increased costs in subsistence and variation fees.	We agree that the reduced application fee is an accurate representation of SEPA cost. Similarly we also believe that the increased variation fee accurately represents the time taken on these activities. See also comments below.
Not answered	1		
I don't agree	1	One respondent raised concerns with the increase to permit variation fees, and felt it could lead to operator non-compliances as they may avoid submitting permit variations or provide less detail in their permits. They noted that the Environment Agency does not charge for permit	We believe that the increased variation fee accurately represents the average time taken on these activities. SEPA only charges for substantial variations which can take up several hours of staff time. Operators should engage early with SEPA to discuss

Answer	Number of responses	Further respondent comment	SEPA comment
		<p>variations, instead absorbing this in subsistence fees, which they felt was more appropriate.</p> <p>They noted that the level of variations may increase during the first few years of the new regimes with the introduction of new monitoring and reporting requirements.</p> <p>They felt that the increase to other application fees will have a lesser impact on operators as they were less frequent.</p>	<p>variations to avoid any unnecessary applications</p> <p>An increased cost of variation is not an excuse for failing to comply with the requirements placed on operators.</p> <p>SEPA maintain specific charges where possible to ensure that the cost of those activities is borne by the specific operator and avoid cross subsidising.</p> <p>SEPA has included the potential increase in activity resulting from new monitoring and reporting requirements in their calculations – this will be monitored to avoid an excessive increase in costs for operators.</p>

Question 5: What are your views on the proposed changes in application charges for aircraft operators?

One respondent answered ‘I agree’, four ‘I’m not sure’ and one ‘Not answered’ for this question. This reflects the lack of aircraft operators responding to this consultation, as the changes have little bearing on installation operators.

Question 6: What are your views on the proposed changes in subsistence charges for installations?

The respondents answered as follows:

Answer	Number of responses	Further respondent comment	SEPA comment
I agree	2	One respondent noted that although the increases were unwelcome they felt the overall increase was not proportionately huge. They also welcomed the new band for Opt Out operators.	
I'm not sure	3	<p>One respondent welcomed the new band for Opt Out operators. However they felt this was not reflected in the increased cost for amending those operators emission targets.</p> <p>The respondent continues, noting that they did not welcome the increased subsistence cost for Category C operators and felt it may affect their competitiveness, particularly in current uncertain times. They felt the charge was out of proportion in comparison to charges made by the Environment Agency and Natural Resources Wales, particularly as the EA do not charge for variations. They felt the majority of variations should</p>	<p>SEPA accepts that the increased cost to processing an emission target increase will not be welcomed by operators, however we are confident that it is an accurate reflection of SEPA resource required, which is at least as time consuming as capacity changes for main scheme operators.</p> <p>SEPA believe the increased subsistence cost to Category C operators is an accurate reflection of the resource</p>

Answer	Number of responses	Further respondent comment	SEPA comment
		<p>not be charged for as is the case in England.</p>	<p>required to regulate those large operators.</p> <p>We believe that the increased variation fee accurately represents the average time taken on these activities. SEPA only charges for substantial variations which take up several hours of staff time.</p> <p>SEPA maintain specific charges where possible to ensure that the cost of those activities is borne by the specific operator and avoid cross subsidising.</p>
		<p>One respondent felt the increased subsistence was appropriate if SEPA are operating at a deficit.</p> <p>They did not agree that the Opt Out band was required and felt it did not reflect some Category A installations that also have reduced reporting obligations. Opt Outs continue to place some cost</p>	<p>SEPA believes the Opt Out band is an accurate reflection of the cost to SEPA in regulating these operators. It reflects both the time spent on regulation and that those operators do not utilise the ETS Registry.</p>

Answer	Number of responses	Further respondent comment	SEPA comment
		on SEPA through some of their requirements.	This band will include all operators that fall within the relevant Hospital or Small Emitter scheme. While some Category A low emitters have similar reporting requirements they still utilise ETS Registry accounts.
Not answered	1		
I don't agree	0		

Question 7: What are your views on the proposed changes in subsistence charges for aircraft operators?

One respondent answered 'I agree', four 'I'm not sure' and one 'Not answered' for this question. This reflects the lack of aircraft operators responding to this consultation, as the changes have little bearing on installation operators.

Question 8: What are your views on all the other aspects of charging (e.g. RPI increment, hourly rate and payment referencing)?

This was an open question, the following comments were made:

Respondent comment	SEPA comment
One respondent commented on Payment Referencing, noting that it was unfair to place this requirement on operators where issues could arise from both operator and	The majority of operators provide suitable references for payments and SEPA can identify what operators have paid for which activity. There is a small group where it is

<p>SEPA payment processes. They felt further discussion was needed with industry before this could be implemented and asked if the electronic compliance system ETSWAP could be utilised.</p>	<p>unclear, but we can still identify the operator to ask for further details (which we do). There is a very small minority who pay but leave very little information and it is these operators we are targeting, not the majority of responsible ones.</p> <p>SEPA is conducting further work on payments. SEPA is working with government and other regulators on the development of the new compliance system PMRV – accurate payment management is a component of this development.</p>
<p>One respondent felt that the proposals on RPI, payment reference and the hourly rate all seemed reasonable</p>	

Question 9: Do you have any other comments to make about this consultation?

Most respondents did not have further questions. One asked for further information, another that the mechanism appeared simple to administer.