

Consultation on the Emission Trading Scheme charges

Covering all possible scenarios – UK Emission Trading Scheme & Carbon Emission Tax

July 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**

For information on accessing this document in an alternative format or language please contact SEPA by email at equalities@sepa.org.uk

If you are a user of British Sign Language (BSL) the Contact Scotland BSL service gives you access to an online interpreter enabling you to communicate with us using sign language.

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

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1 Overview

This consultation document outlines the proposed changes for the fees we charge for regulating installations regulated by SEPA under the UK Emissions Trading System/Carbon Emissions Tax from 2021, how these charges have been developed, and how you can respond to this consultation. This scheme will replace the Greenhouse Gas Emissions Trading Fees and Charges (Scotland) Scheme 2015 as amended, which covered charging under the EU Emissions Trading System.

As part of SEPA's work to deliver our "[One Planet Prosperity - Our Regulatory Strategy](#)" we ensure that changes still meet our goals. Greenhouse gas emissions are a major challenge to the environment and therefore the Emissions Trading Scheme is a key element in our strategy.

2 Why we are consulting

SEPA is the regulator for compliance and enforcement of the EU Emissions Trading System in Scotland, covering over 100 installation and aircraft operators. In support of this we levy a range of charges for different activities under the EU Emissions Trading System (ETS) as well as an annual subsistence fee. This is covered by the Greenhouse Gas Emissions Trading Fees and Charges (Scotland) Scheme 2015, for EU ETS Phase 3.

The UK is in the process of leaving the EU. 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/Carbon Emissions Tax. The following sections sets out how we intend to charge for work under the new regime moving forward.

How to respond

You can respond to this consultation [online](#). As our offices are currently closed, please do not mail your response. You can email your responses on the proposal to:

emission.trading@sepa.org.uk

Responses should be submitted to us by 18 September 2020.

3 Background

SEPA is required to fully recover our costs. The guidance which we have to follow in the Scottish Public Finance Manual and the Treasury (HMT) ([Managing Public Money - HM Treasury](#)). The managing public money document states:

“Charges for services provided by public sector organisations normally pass on the full cost of providing them. There is scope for charging more or less than this provided that ministers choose to do so, parliament consents and there is full disclosure.”

The current scheme has been historically under recovering. The following table gives the most recent complete year (2018-2019). The scheme had a deficit of £260k.

Emissions Trading Scheme (2018-2019)	
Expenditure	£563k
Income (licences - excludes penalties which go back to Scottish Government)	£303k
Deficit	£260k (46% under-recovery)

SEPA needs to be open about what we charge for, and what we do not, and this needs to be agreed by ministers. This consultation provides you with the opportunity to give your views on the proposed changes to charges.

4 How have the charges been calculated

To assess the appropriate level of charge we have calculated the time taken to process an application activity or activities conducted under subsistence by SEPA ETS officials, and applied this to the resource cost to SEPA for this time.

This process factors in the following:

- Range of charges: we continue to maintain specific charges where possible to ensure that the cost of those activities is borne by the specific operator and avoid cross subsidising.
- Experience gained during EU ETS Phase 3: the majority of activities within this charging scheme have been delivered by SEPA during seven year period of EU ETS Phase 3, this has provided us with a deeper understanding of the level of time these activities take to process
- First revision of Charges: the majority of charges set out in the previous ETS Charging Scheme have not been revisited since their introduction, the introduction of the UK ETS or Carbon Emissions Tax is a timely opportunity to review those charges that may not have accurately reflected the time necessary to process those activities
- New activities: the new regimes will introduce new activities that will require SEPA time to process, this notably includes Monitoring Methodology Plans and Activity Level Change Reports

The result of this review is that some charges will be increasing, to accurately reflect SEPA's cost in processing those activities, while others may decrease. We are also proposing to introduce a new subsistence band for participants in an Opt Out Scheme to more accurately reflect the resource cost of these operators on SEPA.

As the development of the UK ETS or Carbon Emissions Tax continues we will review this Charging Scheme to ensure it accurately reflects the requirements of those regimes.

As legislation for the UK ETS or Carbon Emission Tax have not yet been finalised it has been assumed that the definitions used in the current legislation will broadly cross over into the new one. The following charges uses the expected language, but if there are any minor changes in terminology we will use the most appropriate one in the subsequent scheme.

Overall we believe the proposed charges will allow SEPA to continue in delivering its regulatory responsibilities to the UK ETS or Carbon Emissions Tax and assist Scottish operators in a sustainable manner, supporting the delivery of the Scottish Governments climate ambitions and the principles of One Planet Prosperity.

5 What are the charges / components for the new scheme?

5.1 Charges for permitted installations

The following summarises the current and proposed charges for the emission trading scheme permits (excluding those for aircraft operators).

5.1.1 Subsistence charges

Table 5.1.1a gives the annual subsistence charges.

There is one new category of charge where an operator is participating in an opt out scheme. Previously this under category A operator so essentially these sites get a reduction in charge.

The subsistence charges includes the review of operator verified annual emission report and associated material, as well as the review of operator activity level change reports from 2021 – we will keep this under review.

Table 5.1.1a: Subsistence charges

Subsistence charge	Current charges	New charges	% change
Less than 50kt per year	£2,797	£3,404	22%
At least 50kt and no more than 500kt per year	£3,646	£4,425	21%
More than 500kt per year	£4,483	£5,446	21%
Opt out (NEW CATEGORY)	£2,797	£1,588	-43%

5.1.2 New applications

Table 5.1.2a gives the application charges comparing the current and proposed values.

Table 5.1.2a: New applications

Permit applications	Current fees	New fees	% Change
Cat A and opt outs - emitting less than 50kt per year	£1,469	£2,382	62%
Cat B - emitting at least 50kt per year and no more than 500kt per year	£2,749	£3,971	44%
Cat C - emitting more than 500kt per year	£6,560	£4,765	-27%

5.1.3 Applications for changes to existing permits

Table 5.1.3a gives the charges where changes to the permit / operator are being made.

Table 5.1.3a: Charges for changes to permit / operator

Permit variation	Current charges	New charges	% change
Permit variations where a fee is paid with an application	£468	£1,021	118%
Permit variation without application	£468	£1,021	118%
Permit variation (termination of excluded status)	£472	£1,021	116%
Increase emissions target	£1,231	£2,382	94%
Permit transfer	£468	£1,588	239%
Permit surrender	£741	£1,588	114%
Permit revocation	£741	£2,042	176%
New entrant reserve	£1,232	£2,382	93%

5.2 Charges for aircraft operators

The following summarises the current and proposed charges for the emission trading scheme permits for aircraft operators.

5.2.1 Subsistence

Table 5.2.1a gives the annual subsistence charges for the aircraft operators.

Table 5.2.1a: Subsistence charges for aircraft operators

Subsistence charge	Current charges	New charges	% change
Less than 50kt per year	£2,030	£2,496	23%
At least 50kt and no more than 500kt per year	£2,633	£3,177	21%
More than 500kt per year	£3,236	£3,404	5%

5.2.2 Applications

Table 5.2.2a gives the application charges comparing the current and proposed.

Table 5.2.2a: Permit applications for aircraft operators

Applications	Current charges	New charges	% change
Application for an emissions plan	£793	£2,382	200%
Emissions plan variation	£455	£1,135	149%

5.3 Common elements of charges

5.3.1 Pro-rata charges for subsistence fees

Where a permit is issued part way through the year the charges will be calculated on a pro-rata basis for the remaining period up to the end of the year.

5.3.2 Retail Price Inflation (RPI) increases

Each year SEPA may increase charges up to (and including) the Retail Price Inflation (RPI) in line with increases in the Office for National Statistics measures of inflation as at 30 September in the immediately preceding year. For example charges on 1 April 2020 were increased by 2.4% which was the RPI on the 30 September 2019.

Increases beyond RPI would only occur after we have consulted on such changes and got them signed off by ministers.

5.3.3 Payment reference

We will consider that payment has been made when such payments clear reference:

1. the permit number (where a permit exists which is associated with the charge); or
2. if for a new permits, the name of the operator or operator account if relevant.

The reason for this change is that we receive a considerable number of payments, many of them via BACs or similar electronic transfers. Until we have verified payment we cannot start the determination process and, in addition, we can spend a lot of time reconciling these payments which can cause frustration for operators as well as ourselves.

If a payment is not clearly referenced then we will assume it has not been received and this may make the permit / application invalid. It would also mean we would send any outstanding debt to our debt collection providers

5.3.4 Hourly rate

The hourly rate of £118 will be applied for the following activities:

1. data collection exercise;
2. determination of activity level or emissions;
3. where a suitable category has not been identified in the scheme.

6 Questions

Introduction

- Q1. What is your name?
- Q2. What is your email address?
- Q3. What is your interest in our charging scheme?

Application charges

- Q4. What are your views on the proposed changes in application charges for Installations (excluding aircraft operators)?
- Q5. What are your views on the proposed changes in application charges for Installations aircraft operators?

Subsistence work

- Q6. What are your views on the proposed changes in subsistence charges for installations (excluding aircraft operators)?
- Q7. What are your views on the proposed changes in subsistence charges for aircraft operators?

Other aspects

- Q8. What are your views on all the other aspects of charging (e.g. RPI increment, hourly rate and payment referencing)?
- Q9. Do you have any other comments to make about this consultation

