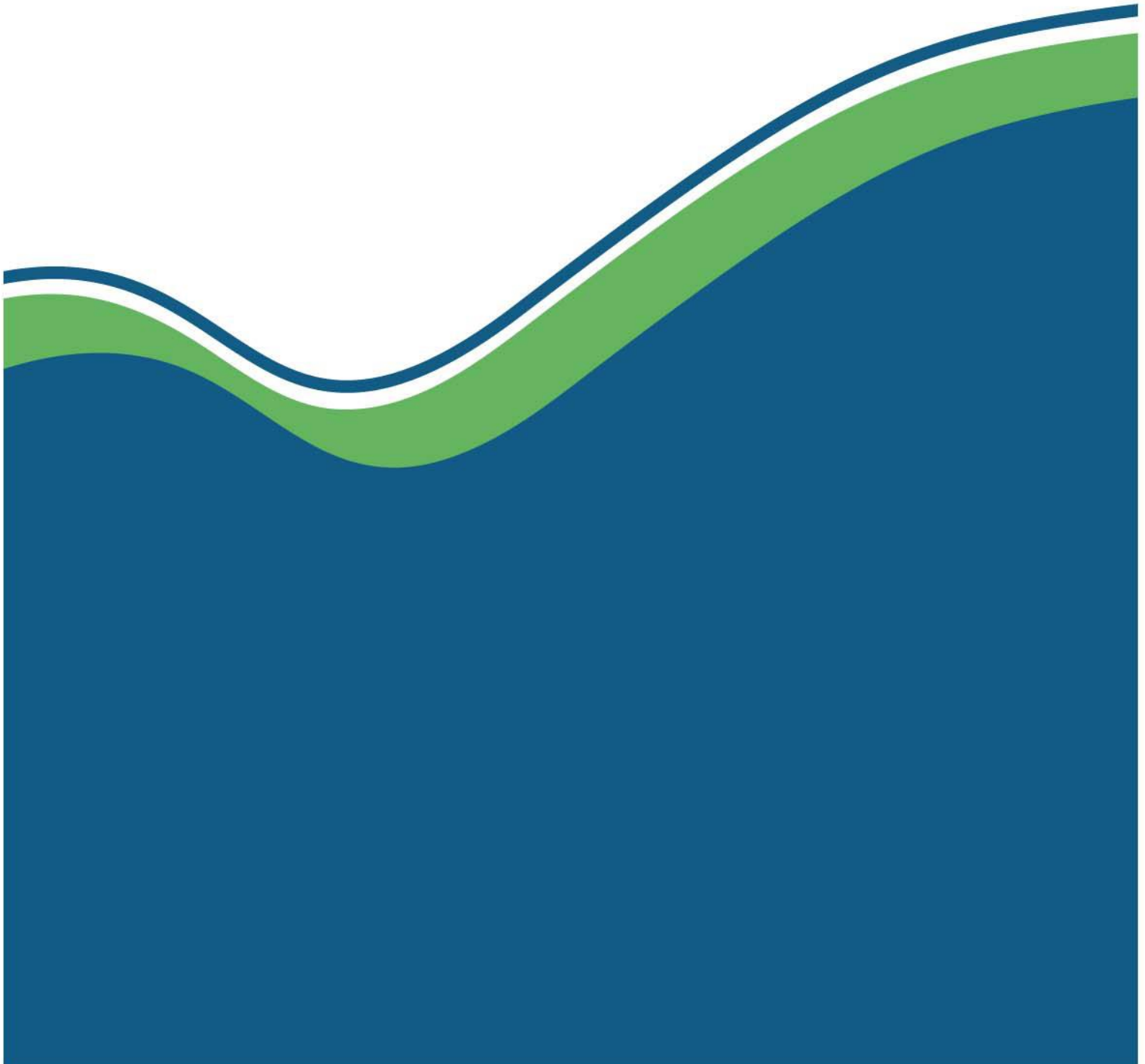


CONSULTATION ON SEPA'S PROPOSED

ENVIRONMENTAL REGULATION (SCOTLAND) CHARGING SCHEME 2018



Consultation

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1 Foreword

- 1.1 As part of the joint Scottish Government and SEPA Better Environmental Regulation Programme ([BER](#)) this consultation sets out the details of the planned changes outlined in the 2015 Charging consultation for implementation in 2018. These changes will revise the Environment Regulation (Scotland) Charging Scheme 2016.
- 1.2 Throughout the BER work stakeholder views have been important to us and we would welcome your comments on these planned changes.
- 1.3 The Environmental Regulation (Scotland) Charging Scheme supports the delivery of SEPA's statutory purpose, which is to ensure that environmental protection is carried out in a way that, as far as possible, supports health and wellbeing and sustainable economic growth. It is also key to the successful implementation of SEPA's regulatory strategy "[One Planet Prosperity - Our Regulatory Strategy](#)". This sets out how, as a 21st century regulator, SEPA is engaging to deliver compliance and maximise its contribution to our communities, a dynamic and sustainable economy and Scotland's ambitious climate change agenda.
- 1.4 The sustainable use of our environment is intrinsically linked to our economic potential as a nation. Consistent and proportionate regulation plays a vital role in making Scotland an attractive place for doing business in Europe. Similarly, a clean and flourishing environment is essential both to business success and in ensuring that people in Scotland lead longer, healthier lives and can access the amenities and services they need.
- 1.5 Both the Scottish Government and SEPA wish to make clear that compliance with environmental regulations is the minimum standard expected and is non-negotiable. We want, however, to help encourage and incentivise as many businesses as possible to go beyond compliance by helping them to further reduce their environmental impact in a way that also builds business benefits. Doing so will not only help businesses to innovate and grow sustainably; it will enable our communities and environment to thrive and our country to prosper.
- 1.6 The planned next stage of the Scheme development will support the implementation of "Our Regulatory Strategy" by:
 - recovering more of our costs from those who are not compliant thereby increasing the incentives for compliance; and
 - further developing the link between charges and actual environmental performance.
- 1.7 The Scheme provides a foundation block to enable SEPA to deliver a 21st century approach to regulation for Scotland and we invite you to help us develop it by presenting your comments on these important proposals.

2 Purpose

- 2.1 This consultation presents the details of the planned changes outlined in the 2015 Charging Scheme consultation (2015 Consultation) to further develop the Environmental Regulation (Scotland) Charging Scheme 2016 (the Scheme) which came into force on 1 April 2016. We proposed that the revised Scheme should come into effect on 1 April 2018.

3 Background

- 3.1 SEPA is obliged to recover from operators the costs of regulating the activities for which they are responsible. Approximately half of our income comes from such charges; the remainder is from government grant-in-aid (GIA).

Better Environmental Regulation

- 3.2 The joint Scottish Government and SEPA Better Environmental Regulation Programme ([BER](#)) aims to provide a simpler legislative framework so that SEPA can be more transparent, accountable, proportionate, consistent and targeted in carrying out its regulatory functions.
- 3.3 This enables SEPA to better identify, and focus most effort on, the most important environmental risks and harms. It will ensure more effective and efficient protection of the environment, reduce the regulatory burden on business and allow operators and regulators together to take opportunities to improve the environment.
- 3.4 The Environmental Charging (Scotland) Scheme is one product of this BER work aimed at supporting the The Regulatory Reform (Scotland) Act 2014 implementation.
- 3.5 The Scheme was developed on the basis of strong stakeholder engagement run jointly by SEPA with consultations in 2010, 2012, 2013 and 2015. Further information on these consultations and supporting workshops is available on the Charging Scheme Development page of our website. All of these consultations showed strong and widespread support for simpler, more risk-based environmental regulation with improved integrated permissions and a single consistent regulatory procedure.
- 3.6 The rest of this section provides a high-level description of the 2016 Scheme as an introduction to the consultation.

Application Charges

- 3.7 Application charges recover our costs for processing an application or a modification to an authorisation.
- 3.8 The Application Charge is related to the number of activity types being applied for. Each activity type attracts an Activity Application Charge. The list of activity types covered and their corresponding application charges are listed in the Table in the Schedule to the Legal Scheme. Charges have been arranged by sector and sub sector to help you identify which activity type – and corresponding Activity Application Charge – applies. Note: while there is a large number of activity types listed, there are only 19 different Activity Application Charges.

3.9 Most applications involve an application for a single activity type and the application charge is just the relevant Activity Application Charge. Where an application covers multiple activities, the application charge is the sum of the Activity Application Charges subject to discount rules. The discount rules take account of the efficiencies involved in processing more than one activity type.

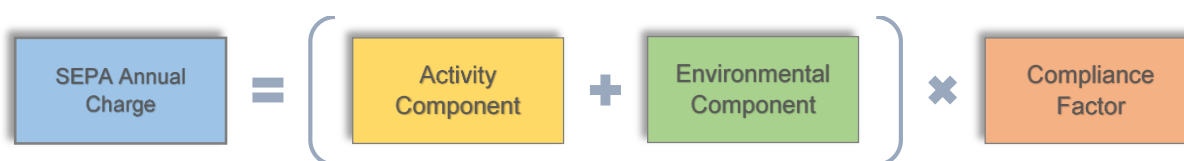
Annual Charges

3.10 Annual charges recover the on-going costs we incur in delivering our regulatory duties of protecting and improving the environment. The charge is for an individual authorisation. If a site has more than one authorisation, each authorisation will attract a charge. Our charges look to recover costs of our:

- direct work such as site inspections; and
- indirect work such as environmental monitoring and reporting.

3.11 The Scheme is based on a charging model in which the annual charge is calculated from three components: an activity component, an environmental component and a Compliance Factor (only the detail of the Compliance Factor is new for this consultation):

Figure 1:
Schematic representation of our annual charging mechanism



3.12 The Activity Component of the Scheme is determined by the activity type(s) included in the authorisation. The list of activity types covered and their corresponding Annual Activity Charges are listed in the Table in the Schedule to the Legal Scheme. Charges have again been arranged by sector and sub sector to help you identify which activity type – and Annual Activity Charge - applies. This element of the charge recovers our direct regulatory costs as well as some indirect costs.

3.13 The Environmental Component only applies to larger activities. It recovers the remainder of our indirect costs (for example, those associated with environmental monitoring, data management and reporting). It takes into account the environmental significance of these activities.

3.14 The Compliance Factor will be based on our compliance records; operators with poor compliance records will have a higher Compliance Factor, increasing their overall charge. The introduction of the Compliance Factor was delayed to give operators time to adjust to the new Compliance Assessment Scheme.

4 Overview of proposed changes

4.1 This section provides an overview of the planned changes set out in the 2015 consultation along with other routine updates of the Scheme. It provides an introduction to the more detailed explanation provide in this document and in the associated appendices.

4.2 There are four main types of changes that we are proposing:

- Planned implementation of 2015 consultation proposals. The Scheme outlined in the 2015 Consultation represented such a major transformation in the way we calculated charges that we planned a staged implementation of certain parts of the Scheme for 2018. We are now presenting detailed proposals for the implementation of these changes. We are not consulting on the principle of making these changes as they have already been subject to consultation. We are consulting on the details of how we should calculate the charges.
- Changes resulting from consultation responses. Changes proposed in the 2015 consultation response to suggested improvements set out by respondents. We are consulting on the principle of making these changes and on the details of how we should calculate the charges.
- Changes proposed by SEPA. We have identified some improvements to the scheme as a result of the experience of operating the scheme since 2016. We are also introducing changes that result from changes in statute or policy. We are consulting on the principle of making these changes and on the details of how we should calculate the charges.
- Routine updating. We have updated the data upon which the scheme is constructed. We are not consulting on these updates as they are within the scope of the original Scheme.

Planned implementation of 2015 consultation proposals

4.3 In the 2015 consultation, we outlined our plans for implementing the following changes in 2018:

- We will introduce additional charges for operators who do not comply with the rules that permits set to protect the environment. Non-compliance with permits cause SEPA considerable additional work and therefore costs. This consultation provides the details but proposes delaying the introduction until 2019.
- Hydro-schemes between 0.1 and 2MW generation capacity will be charged. These schemes represent a significant proportion of abstractions in Scotland and cause us a significant workload but are not currently charged.
- Non-operational permits will be charged. There are a large number of permits that cover activities that go through periods when they do not operate (for example fallow fish farms and irrigation permits). Work is still required for these permits, currently they are not charged.
- Permitted discharges to the water environment that are not monitored but licenced will be charged. Currently they do not pay charges.

4.4 We are not consulting on the principle of making these changes as they have already been subject to consultation. We are consulting on the details of how we should calculate the charges.

Changes resulting from consultation responses

4.5 SEPA reviewed the 2015 consultation responses along with feedback from charge-payers and made appropriate changes to the 2016 Scheme. We also identified

some more substantial proposals that would be developed for 2018. We are consulting on the details of the following proposals.

- We propose substantial changes to the way we calculate the Environmental Charge for abstractions. The 2016 Scheme calculates charges on the basis of the amount of water that the permit permits to be abstracted. We propose to change the basis of the charge calculation so that it uses in part the actual volume abstracted over the previous three years.
- We are proposing significant changes to the way in which waste charges are calculated. This involves major changes to the way we categorise waste activities and therefore how we calculate the Activity Charge, and some changes to the way in which the Environmental Charge is calculated.

Changes proposed by SEPA

4.6 We propose to make the following changes to the 2016 Scheme as a result of our experience of operating it since April 2016.

- We wish to progressively simplify the table of activities in the Schedule to the Scheme. For example, we aim to move towards using terms such as “tank fish farm” rather than “discharge from “tank fish farm” and “abstraction from fish farm”. We are limited in the rate at which we can simplify the table by the form of current permits. As permits are rationalised we will be able to further simplify the table. We have made some changes to the activity descriptions, for example, we have brought together all hydropower activities into single descriptions split according to level of generation.
- We consider that the idea of basing the Environmental Charge on the scale of emissions from an activity has been very successful. The current Scheme charges for a limited set of pollutants. We propose to widen the number of pollutants covered by the Scheme to further improve the way the activity charge is allocated across activities.
- We have made some minor technical changes to the mechanics of calculating the Environmental Charge. These are listed in the appendix to the consultation on the Environmental Assessment Scheme.

Routine updating

4.7 We have updated the data that underpin the charging scheme. This has involved updating the data and mechanics used to calculate the Activity Charge and updating the data underpinning the Environmental Charge. This involves, for example, using the most up-to-date information to calculate the Environmental Charge. This means that an operator’s cost will decrease if their emissions to air or to water have decreased. Conversely, costs will increase if the scale of emissions has increased.

4.8 We are not consulting on these updates as they are within the scope of the original Scheme.

4.9 We are consulting on the following changes in legislation which have implications for charges:

- the Medium Sized Combustion Plant Directive;

- Basic Safety Standards Directive;
- For requirements to assess the Energy Efficiency (R1) for Municipal Waste Incinerators; and
- Best Available Techniques Conclusions (BATC) reviews

4.10 We are also consulting on:

- The removal of charges for para 47 exemptions below 20 tonnes, to encourage effective recycling.
- Introducing that charges shall be paid as a condition of every authorisation covered by the Scheme.
- That interest will be paid for late payments.
- The principle of charging for the time spent on poor quality applications.

What will the effect be on charges?

4.11 We are providing two types of information on the effect upon charges:

- An impact assessment which provides an overview of the effect upon charges. It shows how the distribution of charges has changed between sectors and sub-sectors. It also provides the statistics of the change in charge per customer (i.e. how many face increases and how many decreases).
- We will write to charge-payers providing them with a unique logon to SEPA's website which will allow them to see their projected charges at a permit and operator level. It will also provide the projected change over the period to 2020/21.

4.12 It is important to note that the charges given are subject to change.

- The environment component charges will be updated once the 2016 data has been checked and fully validated for use (currently 2013, 2014, 2015 data is being used to give an indication of the score and hence charge),
- We will review the consultation responses and make suitable adjustments where justified,
- Correct errors identified by operators and staff during the consultation process, and
- Increase charges by up to Retail Price Inflation (RPI). The RPI figure is taken at the 30th September the previous year. See section 3 of the legal scheme.

5 Planned implementation of 2015 Consultation proposals

5.1 This section provides more detailed information on the proposed changes first outlined in the 2015 consultation and described in paragraph 4.3.

Non-compliant permits

5.2 There has been consistently strong support from stakeholders to increase charges for the most non-compliant sites. This was mirrored in the workshops leading up to and the responses to the 2015 Consultation.

- 5.3 In the 2015 Consultation, we proposed introducing a multiplication factor into the Scheme, the Compliance Factor, which would increase the charges for operators with poor compliance records ensuring that their charges properly reflect the additional costs we incur at such sites.
- 5.4 We have operated a Compliance Assessment Scheme since 2009, which provides a transparent framework for assessing an operator's level of compliance. We have reviewed the Compliance Assessment Scheme to make it more consistent and proportionate and are consulting separately on [this](#). The amended scheme will simplify the assessment of non-compliance to the following categories:
- not assessed,
 - compliance,
 - non-compliance, and
 - major non-compliance.
- 5.5 It is proposed that the new Compliance Assessment Scheme will assess compliance on a monthly basis. We propose that the charging scheme Compliance Factor should be calculated from a combination of the:
- extent of the non-compliance (i.e. whether the permit is in non-compliance or major non-compliance) and
 - time over which this occurred.
- 5.6 Before the beginning of each financial year, SEPA will publish its Annual Compliance Assessment Results. These will show the number of months that a permit has been in compliance, non-compliance and major non-compliance over the previous 12 months. The Charging Scheme will use this data to calculate the Compliance Factor which will apply in the subsequent year.
- 5.7 In the first year, if we do not have a full 12 months data by the time we need the results for the Charging Scheme (for example we only have confirmed compliance up to November 2018), we will make the data up to 12 months by assuming that all permits were in compliance for the missing month(s) (i.e. all permits were in compliance in December 2018).
- 5.8 We plan to bring the new Compliance Assessment Scheme into effect from 1 January 2018. This means that the Compliance Factor will start affecting charges from 1 April 2019. There will be no phasing associated with the introduction of the Compliance Factor.

What is the proposed scale of the Compliance Factor?

- 5.9 We propose that the most significant effect upon charging should be incurred by permits with major non-compliance but we do also propose that charges should be affected by persistent levels of non-compliance.
- 5.10 When considering the scale of increase that should be imposed by the Compliance Factor we have considered the following issues:

- There is strong pressure from most operators (who are in compliance) for those who are in non-compliance to pay the additional costs that they create for SEPA. Currently operators assessed as in compliance subsidise operators in non-compliance.
- The larger the multiplier, the closer that we move towards more reflective cost-recovery (i.e. operators in non-compliance paying for the additional costs that they create).
- The larger the multiplier, the greater the incentive for operators to achieve compliance.
- Operators need time to get used to the new CAS and time to appreciate the implications for charging.

5.11 We proposed that the following maximum Compliance Factors should apply until 2020/21:

- non-compliance for 12 months be set at 1.20; and
- major non-compliance for 12 months be set at 2.2.

5.12 We will consider increasing the strength of the multiplier for major non-compliance category after 2020/21.

How should the Compliance Factor be calculated?

It is proposed that the Compliance Factor should be calculated from Table 1 as follows.

$$\text{Compliance Factor} = (1 + \text{non-compliance factor} + \text{major non-compliance factor}).$$

Table 1 Multiplication factors for non-compliance

No. Months	Non-compliance factor	Major non-compliance factor
1	0	0.10
2	0	0.20
3	0	0.30
4	0.02	0.40
5	0.04	0.50
6	0.07	0.60
7	0.09	0.70
8	0.11	0.80
9	0.13	0.90
10	0.16	1.00
11	0.18	1.10
12	0.20	1.20

Examples of the application of the Compliance Factor

The charge for a transfer station calculated from its Activity and Environmental Charge was £2,500. The examples below show the effect upon the final charge of differing levels of compliance.

Example 1. The charge for a permit which is in non-compliance for two months would be:

	(activity + environmental charge)	non-compliance	Major non-compliance
£2,500 =	£2,500 * (1 +	0 +	0)

Example 2. The charge for four months' non-compliance and one month major non-compliance would be:

£2,800 =	£2,500 * (1 +	0.02 +	0.10)
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Example 3. The charge for eight months' non-compliance and four months' major non-compliance would be:

£3,775 =	£2,500 * (1 +	0.11 +	0.4)
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Example 4. The charge for 0 months' non-compliance and 12 months' major non-compliance would be:

£5,500 =	£2,500 * (1 +	0 +	1.2)
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5.13 We will use some of the funding raised by the Compliance Factor to support additional work to drive improvements in compliance and thereby in due course reduce our overall costs. When the scheme fully cost-recovers, any additional funding raised by the Compliance Factor will be used to lower the charges for operators in compliance.

Question 1.

What are your views on the scale and escalation of the Compliance Factor?

Question 2.

Do you have any suggested changes to the way the Compliance Factor is calculated?

Key message

SEPA plans to start using its new Compliance Assessment Scheme on 1 January 2018. It is proposed that the Compliance Factor will start to affect charges from 1 April 2019.

Hydro-schemes between 0.1 and 2MW generation

- 5.14 When SEPA first introduced charges for abstractions in 2006, we only applied the full charges to large hydropower schemes, above 5MW.
- 5.15 In our 2015 consultation, we proposed to progressively remove the exemptions for hydropower as our experience was that we had to direct significant resources to ensure their compliance with permit conditions. We proposed to remove the cap on charges set for hydropower schemes between 2MW and 5MW in 2016/17. We also proposed to remove the exemption from charging for hydropower schemes between 0.1MW and 2MW from 2018/19. In our analysis of the consultation response, we confirmed our intent to make these changes.
- 5.16 The introduction of charges will be phased in over three years with the full charges applying from 2020/21. The phasing will be 60% of charge in 2018/19, 80% in 2019/20 and 100% in 2020/21.
- 5.17 The current consultation proposes that hydropower schemes between 0.1 and 2MW should be charged in the same manner as all other types of abstractions and impoundments. The charges for these hydropower schemes will be based upon the following scheme components:
- An Activity Charge of £235 per year. This compares to an Activity Charge of £788 for schemes between 2 and 5MW and £4926 for schemes over 5MW. See legal scheme.
 - An Environmental Charge based upon a combination of actual water abstracted and permitted volume abstracted.
- 5.18 We will use 25% of the funding raised by these charges to improve our direct regulation of hydropower sites and will return the remainder to other operators which will lower their charges. The exemption from charges for small hydropower schemes (less than 0.1MW) will remain for the time being.

Question 3.

What do you think of the rules for hydropower schemes between 0.1 and 2MW?

Question 4.

Should we continue with the exemption from charges for small hydropower schemes that generate less than 0.1MW after 2020/21?

Non-operational permits

- 5.19 Our pre-2016 Charging Schemes had different approaches to non-operational permits: with PPC and WML Schemes imposing a charge whilst our water charging arrangements exempted non-operational permits from charges.
- 5.20 We propose to apply standard reduced charges for non-operational permits. The proposals apply to permits where the regulated activity has planned periods of non-activity that exceed twelve months. To qualify for the reduction in charges proposed the operator must notify SEPA in advance of the period of non-activity. We will also set an initial review period of two years.

- 5.21 In our 2015 consultation, we proposed to rationalise the approach to charges for non-operational sites. We proposed a standard charge of 20% of the Activity Charge (there would be **no** Environmental Charge). The proposed charge would cover the administrative costs of maintaining licensing systems and occasional environmental monitoring activity (to ensure that the site is not operating). The proposal also provides an incentive for operators to surrender permits that are not required.
- 5.22 We proposed to introduce this charge in full from 2018/19.
- 5.23 The sectors that will be most affected by these changes will be marine cage fish farms and agricultural irrigation where many permits have years of non-operation.

Examples.

Remember there is no environmental component charge for non-operational permits.

Agricultural Irrigation permits with abstraction volumes greater than 2000 m³ per day have an activity charge only of £919, hence the non-use charge would be around £183.80 (0.2X £919).

Marine cage fish farms greater than 50 tonnes biomass have an activity charge of £3355 Hence non-operational charge would be £671 (0.2 X £3355).

- 5.24 The funding raised by the introduction of charges on non-operational permits will be used to reduce the charges for operational permits.

Question 5.

Do you agree with the scale of the proposed charges for non-active permits, if not why not?

Small and low risk permitted discharges

- 5.25 In our 2015 consultation, we proposed rationalising the application of charges to active permits. Under the PPC and Waste charging schemes, all active permits face a charge, but some active permits covering discharges to water are exempted under our current water charging scheme. We proposed to remove this exemption for water discharges from financial year 2018/19. The introduction of charges will be phased in over three years with the full charges applying from 2020/21.
- 5.26 The types of activity affected by these proposals are small rural discharges from small rural developments such as hotels, restaurants, visitor centres and housing developments. Currently, some of these sites are charged and some are not charged.
- If we inspect or sample these sites then they are subject to charges.
 - If we do not visit them, and instead assess their impact from our environmental monitoring network, then they are not subject to charges.
- 5.27 We propose to impose a charge of 50% of the relevant activity charge where an activity is considered low risk and is not subject to routine monitoring. For a private

sewage treatment works between 50 and 100 population equivalent this would equate to a charge of around (£743 X 0.5) = £371.50

- 5.28 We proposed to phase in this charge over three years starting from 2018/19. The phasing will be 60% of charge in 2018/19, 80% in 2019/20 and 100% in 2020/21.
- 5.29 From 2018/19 we propose that no charges shall be levied for the smallest sewage treatment works that are less than 50 population equivalent. This would remove charges from some existing sites that are subject to charges.
- 5.30 We will use 50% of the funding raised to improve the environmental monitoring of these activities and will return the remainder of the funding to other operators with discharges which will lower their charges.

Question 6.

Does the scale of the charges for 'not routinely monitored activities' - have any adverse or beneficial consequences?

6 Changes resulting from consultation response

- 6.1 This section provides more detailed information on the proposed changes described in paragraph 4.5.

Calculation of Environmental Charges for abstractions

- 6.2 The Environmental Charges for abstractions are unusual within the Charging Scheme, in that they are based upon the permitted volume abstracted. This means unlike the charges for discharges and emissions they are not responsive to the performance of operators. If an operator reduces the emission to air, or the discharge to water, they receive a reduction in charges. In contrast, if an operator reduces the amount of water they abstract from the environment they receive no reduction in charge unless they apply for a reduction in the volume permitted by the permit. We initially based the charges for abstractions on permitted volume because we had concerns about the quality of the abstraction returns from operators.
- 6.3 In our [Summary and Analysis](#) of the 2015 Consultation, we agreed with consultees that using actual volume abstracted would be an improvement on the use of permitted volume. We agreed to aim to introduce the use of actual volume abstracted by 2018/19.
- 6.4 A detailed explanation of the new proposed approach to calculating the Environmental Charge for abstraction is presented in the appendices. Table 2 summarises the changes that have been made.

Table 2. Changes proposed in the abstraction Environmental Charge

	2016 Scheme	Proposed 2018 Scheme
Threshold for determining when an Environmental Charge will apply	2000 cubic metres /day	1,500 cubic metres /day
Measurement of volume used	Permitted volume	40% permitted volume 60% volume used
Measurement of length affected	Series of steps	Smoothed out to make a curved line
Factor to take account of seasonal abstraction	No change	

- 6.5 We propose to lower the threshold at which the Environmental Charge applies. The lower the threshold the more operators have an Environmental Charge. This lowers the overall charge per operator and ensures that more of those who abstract substantial volumes of water have a charge that is responsive to environmental performance.
- 6.6 We propose to base charges upon a combination of permitted volume (40%) and actual volume used (60%). We propose to maintain a permitted volume component in the scheme until 2020/21. It is then our intention to move the scheme to being based entirely upon actual volume used. We have maintained a proportion of the charge based upon permitted flow for the following reasons:
- We still have concerns about the data quality and propose that further improvements are required. We will only use abstraction returns in 2020/21 that are based upon records from flow meters or from approved alternatives.
 - If an operator does not send a data return to SEPA then their charge will be based upon their permitted volume. There are a number of abstractions that are not required to make a data return. If we had moved to calculating the whole charge based upon volume abstracted, those who don't make returns would face significantly higher charges (because permitted flows are higher). We therefore considered that it was important to give operators time to submit data returns or apply for reductions in permitted volumes.
- 6.7 The current length-affected factor increases charge according to the length of a river that is affected by the abstraction. Charges are lower if the water is returned close to the abstraction point whereas charges are higher if the water is returned many kilometres downstream. The 2016 Scheme used a series of length affected categories (for example 0 to 500m). This meant that charges changed substantially at particular lengths. We have smoothed out the changes in charge so that they now increase more consistently as the length affected increases.
- 6.8 We have not changed the seasonal factor

- 6.9 We propose to introduce the new approach to calculating abstraction charges in 2018/19 with the resultant changes in charge being phased-in over the three year period to 2020/21.

Question 7.

Do you have any changes that you would like to see in the methodology proposed for calculating Environmental charges for abstractions?

Question 8.

What adverse or beneficial consequences do you consider will result from the application of the new methodology?

Key messages

If you abstract more than 1,500 cubic metres a day then your charge will be higher if you do not make a data return. We will use data returns for the past three years up to the end of December 2016. After that date we will not take new data returns until 2020/21. This is because the environment charge is fixed at the beginning of each charging scheme review period.

You should ensure that you have a flow meter (or an approved equivalent) installed by 2019/20 so that we have at least one year's flow data for the review of the Scheme for 2020/21.

Calculation of waste charges

- 6.10 In response to our 2015 [Consultation](#), 35% of the comments came from the waste management industry. In our [Summary and Analysis](#) of the consultation, we agreed to revisit the way the charges were allocated for the waste management industry. In particular, we would consider the following changes:
- review charges for the smallest operators;
 - improve the Environmental Component by providing greater reductions for recycling and enhancing the method for calculating the waste hazard factor; and
 - reduce the step-change between those who pay the Environmental Charge and those who do not.
- 6.11 We stressed that the ability to deliver these changes was dependent upon the available data.
- 6.12 A detailed explanation of the proposed new approach to calculating the Environmental Charge for waste is presented in appendices. Table 3 summarises the changes that have been made.

Table 3. Changes proposed in the waste management Environmental Charge

Description	2016 Scheme	Proposed 2018 Scheme
Simplified the definition of waste management activities subject to annual charges	30 activities defined	17 replacement activities defined
Reduced charges for small-scale waste management activities	Definition of bands Lowest charges only applied to <100 tonnes	Micro charges applied to activities <100 tonnes New lower band created <1000 tonnes This benefits smaller activities
Threshold for determining when an Environmental Charge will apply	Various tonnages per year	70% of the 2016 tonnage thresholds
Modified the method used to calculate the waste hazard factor	A number of technical changes have been made to improve the calculation	
Enhance the waste hierarchy factor	We reviewed the method and concluded that it was suitable given the level of information available. We also believe taking the Scheme any further on hierarchy would make the Scheme more complex	

- 6.13 We propose simplifying the number of waste management activities. These broader categories make the Scheme much easier to use and ensure that similar types of activities have the same charge.
- 6.14 We have modified the bands covering the smallest waste management activities so that more sites fall into the lower bands and therefore attract lower charges.
- 6.15 We propose to lower the threshold at which the Environmental Charge applies. The lower the threshold the more operators have an Environmental Charge. This lowers the overall charge per operator and reduces the step-change between those who pay the Environmental Charge and those who don't.
- 6.16 We have decided not to introduce any further subdivision of waste beyond the existing three: low, medium and high risk. We consider that this would have introduced more complexity for little benefit. We have reviewed the methodology and made a number of technical changes (see appendices).
- 6.17 We propose to introduce the new approach to calculating waste management charges in 2018/19 with the resultant changes in charge being phased-in over the three year period to 2020/21.

Question 9.

Do you have any changes that you would like to see in the methodology proposed for calculating waste management charges?

Question 10.

What adverse or beneficial consequences do you consider will result from the application of the new methodology?

7 Changes Proposed by SEPA

7.1 This section provides more detailed information on the proposed changes described in paragraph 6.

Chemicals included when calculating the Environmental Charge.

7.2 When we introduced the methodology for calculating the Environmental Charge for discharges to the water environment we limited the number of chemicals to the chemicals that were most commonly found in discharges. We consider that allocating charges on the basis of the polluting load has been recognised as an appropriate way for an environment agency to determine charges. As a consequence we propose to extend the number of chemical / metals covered by the scheme from 49 to 56. The details of the additional chemicals now included within the Environmental Assessment Scheme are provided in appendices. We described our intent to make this change in our [Summary and Analysis](#) of the 2015 Consultation.

7.3 The sector that is most likely to be affected by these changes is Marine Fish Farming where a number of veterinary medicines will be included within the Environmental Assessment Scheme for the first time.

Legislative or policy changes

Medium Combustion Plant Directive (MCPD)

7.4 The [MCPD](#) introduces emission controls on new plants from December 2018 and existing plants in 2025 and 2030, depending on their size.

7.5 There will be four tiers of application charge. These are given in the following table along with the proposed subsistence charge.

Permit / Authorisation Type	Application Fee	Subsistence
Bespoke permit	£1224 (Band 9)	£240
Standard permit	£377 (Band 6)	£80
Flexible (complex)	£153 (Band 4)	
Flexible (<500 hrs)	£102 (Band 2)	

7.6 We will review the charges in 2020/21 on the basis of our experience of carrying out the work.

Basic Safety Standard Directive (BSSD) changes

7.7 The Basic Safety Standard Directive (BSSD) sets out standards for radiation protection. The overall objective of radiation protection is to protect workers and the

general public against the dangers arising from ionising radiation. UK Government has to implement the Directive into UK law by the 6 February 2018.

- 7.8 For activities covered by BSSD there will be a number of changes occurring. It is our intention to consult during 2018 on the detail of these changes and modify the charges in 2019/20 as outlined as part of the BSSD consultation.
- 7.9 The changes include some activities which move either to registration or notification level. With the implementation of BSSD some High-Activity Sealed Radioactive Sources and orphan sources Directive (HASS) registrations will move to sealed 'sources of a similar level of potential hazard (SSLPH) registration.
- 7.10 A consultation for the changes will be given later in the year; this consultation just outlines the changes to the expected revisions. In addition, application charges for certain s13/14 authorisations will attract a reduced fee.

R1 Assessments for Municipal Waste Incinerators

- 7.11 For applications for assessing Assess Energy Efficiency (R1) for Municipal Waste Incinerators¹ we will introduce a new application charge of £2040 (Band 10).

Best Available Techniques Conclusions (BATC) reviews

- 7.12 As a requirement of the Industrial Emissions Directive (IED) and the Pollution Prevention and Control (Scotland) Regulations 2012 (PPC2012), SEPA is required to review all PPC Part A Installations and their permits periodically to assess and ensure that they meet with the requirements of the Best Available Technique conclusions (BATC) and the IED. The BATC review is triggered by the publication of the BATC's for the main activity of the installation after which SEPA has four years to complete its review and where necessary update the permit(s).
- 7.13 The current guidance to The Environmental Regulation (Scotland) Charging Scheme 2016 specifies that there will be no charge associated with SEPA-initiated variations as this work is considered to be part of SEPA's on-going work and the costs are recovered via annual charges. However, there are some circumstances where there is extensive work associated with variations (such as the BATC reviews) where SEPA has to undertake a lot of additional work and needs to divert resources or employ additional staff / consultancy support to manage the scale of work. We are proposing that a specific category of charging for BATC reviews is introduced to the Charging Scheme.
- 7.14 SEPA is currently considering two options for charging for work associated with BATC reviews. Details of these options are listed below:
Option 1
- 7.15 All BATC reviews should be charged as Standard Variations – i.e. A charge of 30% of the total of the activity application charges applicable to the activities which form the installation. Whilst this approach presents a “level playing field” it does not address the additional costs associated with more complex BATC reviews.

¹ <https://www.gov.uk/guidance/waste-incinerator-plant-apply-for-ri-status#apply-for-r1-status>

Option 2

7.16 A tiered approach to charging is adopted for BATC reviews dependent upon whether derogation appraisal or a permit variation is required as a consequence of the BATC review:

- For Major BATC reviews, a charge of 70% of the total of the Activity Application Charges applicable to the activities which form the installation.
- For Minor BATC reviews a charge of 30% of the total of the Activity Application Charges applicable to the activities which form the installation.

7.17 A “major BATC review” means a BATC review which requires a variation to a permit as a consequence of the review and/or involves assessment relating to derogation. “minor BATC review” means a BATC review which does not require a variation to a permit or assessment relating to a derogation.

Question 11.

What are your views on the options proposed for BATC reviews and which is your preferred option?

Removal of charges for para 47 waste exemptions below 20 tonnes

7.18 We propose to remove the charge for para 47 waste exemptions below 20 tonnes. This is to encourage the recycling of Waste Electrical and Electronic Equipment and brings para 47s in line with the other similar waste exemptions, for example:

- Paragraph 12 activity; treatment by composting that does not exceed 100 tonnes per year; and
- Paragraph 19 activity; storage and use of waste in construction or other relevant works less than 150 tonnes.

Question 12.

What are your views on the proposed changes for para 47 exemptions below 20 tonnes?

Reduction in charges for applications that can be completed on-line

7.19 SEPA intends to introduce automated processes for issuing simple permissions (such as registrations and notifications) via its website. When we provide these services we will allow for up to a 20% reduction in charges. This will only apply where we specify that the issuing of the permit is automated and therefore a reduction in charge applies.

Making it a condition of the authorisation that charges shall be paid

7.20 The Environment Act under section 41 gives SEPA certain powers if an operator does not pay their charges under the Scheme. Currently we use the power to suspend or revoke an authorisation. We intend to introduce further the Section 41(5)(b) power that it shall be a condition of an environmental authorisation that any charge shall be paid.

- 7.21 This is done for two reasons: the first is that this provides an interim step before going to the more serious suspension or revocation process. It also reflects that non-payment does cause additional work within the organisation to chase up unpaid invoices.

Interest on late payment of charges

- 7.22 We intend to charge interest for the late payment of charges made under the scheme. This will be at a rate of 8% plus the Bank of England's base rate.

Question 13

What are the benefits / disadvantages of: a) making it a condition of all permits under the scheme that charges shall be paid, b) charging interest on the late payment of charges?

8 Long-term Charging Scheme development

How will the scheme change in the long term?

- 8.1 As part of BER, in particular implementing the Integrated Authorisation Framework, we will further improve the efficient delivery of our regulatory activities. We will continuously review how these should be reflected in our charges between now and 2020/21 and if needed make further minor changes / review that may need to be consulted on.
- 8.2 One area we are looking at is the time spent dealing with poor applications. Based on our experience we have found that poor quality applications use up a lot of SEPA resources. The time spent in dealing with these poor quality applications can and does increase the overall application charges which we consider is unfair for those companies that do provide sufficient information to allow a smooth application process.

Question 14.

Do you agree with the principle of SEPA returning and / or charging for the time spent on poor quality applications?

- 8.3 The changes in charges introduced by the 2016 Scheme were phased over the five years to 2020/21. The current review, for the 2018 Scheme, will introduce some changes to the charges projected for 2020/21. Consequently the changes introduced by the proposed 2018 Scheme will be phased-in over the remaining three years.
- 8.4 We are planning the next full review of the Scheme to come into effect in 2020/21. We have no firm plans for this review at this stage. However, we are considering incorporating the following Charging Schemes into the Environmental Regulation (Scotland) Charging Scheme:
- Reservoir Act Charging Scheme – to create a single charge for impoundments
 - Special Waste and Transfrontier Shipment Charges.

Question 15.

We would welcome responses on the further development of the Charging Scheme over the period to 2020/21.

9 How to respond

- 9.1 You can respond to the consultation online using [Citizen Space](#).
- 9.2 You can also respond by sending your views and comments on the proposals to the following address:
Charging Scheme Team
SEPA
Strathallan House
Castle Business Park
Stirling FK9 4TZ
- 9.3 Responses should be returned by 3 November 2018. Earlier responses would be welcome.

Handling your Response

- 9.4 We would like to know if you are happy for your response to be made public. If responding online, please complete the confidentiality questions where prompted. If responding by post, please complete and return the Respondent Information Form with your response.
- 9.5 If you ask for your response not to be published it will be regarded as confidential and treated accordingly.