

**DECC - Consultation on carbon units
the net UK carbon account
and carbon accounting**

Responding Organisation:

19th January 2009



**Consultation on carbon units, the net UK carbon account and carbon
accounting - IEMA response**

The IEMA is a not-for-profit membership organisation established to promote best practice standards in environmental management, auditing and assessment. The Institute offers support services to environmental professionals and aims to promote sustainability through improved environmental practice and performance. With over 14,000 individual and corporate members, the IEMA is a leading UK and international membership-based organisation, dedicated to the promotion of sustainable development and to the professional development of individuals involved in the environmental profession across the public and private sectors (over 50% of the Institute's members are in the private sector). For more information on the IEMA, its events, services, products, membership, training and publications, please visit www.iema.net.

IEMA interest in Climate change has grown considerably in recent years, with our membership engaged on various levels including;

- Environmental managers addressing climate change mitigation on behalf of their organisations and within their Environmental Management Systems (e.g. organisations registered to EMAS, ISO14001 or BS8555)
- IEMA members having to address new developments such as the Carbon Reduction Commitment or PAS 2050 on behalf of their organisation
- Environmental Assessment professionals, addressing climate change impacts for new developments at both project level (EIA) and also at plan / programme level (SA/SEA)
- Environmental practitioners addressing climate change adaptation
- IEMA registered environmental auditors engaged in both the EU ETS and the CDM

IEMA Response

The following response has been compiled by the IEMA, following consultation with our membership and with input from the IEMA Technical Team. For questions, comments or discussion on this consultation response, please contact;

Nick Blyth, MIEMA. Senior Technical Advisor Tel – 01522 540069 n.blyth@iema.net

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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?*

It may make practical sense for the UK carbon account to build on the existing basis and use trading units recognised under Kyoto and EU ETS. That said other units, alternative accounting and threshold restrictions need to be considered as follows.

A fundamental issue arises in terms of how the UK carbon account is defined and scoped. Many feel that Kyoto is fundamentally flawed by measuring GHGs arising from production - underestimating the Climate Change impacts of those nations that have 'exported their manufacturing' - and that a more effective and equitable approach would involve an attribution to consumption. The SEI climate change mitigation presentation, accessible from the following IEMA event link is useful in this context - <http://www.iema.net/index.php/event-reports?cid=93&aid=18541&aid=18541>. As demonstrated, work in this area is progressing. In this context, we believe that the UK should develop a consumption based estimate (in addition to the Government's current accounting proposal).

A further (related) issue is the scale of contribution overall from Kyoto / EU ETS credits and whether this should be limited. There are significant concerns that the accounting regime will reduce focus and effort on emissions reduction at source. We feel the focus must be on absolute reductions and that accounting / reporting is set accordingly. If traded offsets are to be included then this should be additional to pure reduction targets. The accounting and related communications must be transparent so that both reductions and offsets are clear.

Section 29 of the consultation states - The net UK carbon account is defined as net UK emissions for a given period, taking account of all the carbon units that have been debited and all the carbon units that have been credited. Net UK emissions represent the starting total of the net UK carbon account before any carbon units are credited or debited. Net UK emissions are defined as gross emissions, including emissions from land use, land use change and forestry (LULUCF) activities, that are then adjusted to take into account removals by sinks associated with LULUCF activity. The above description doesn't clearly explain the net UK situation. Aside from debits and credits, it would help if the document was clear on whether the existing measurement regime for UK annual inventory will be used (as the UK account net emissions basis) or if the more stringent UK Kyoto reporting figures will be used. Annex 2 D appears to confirm use of the annual inventory (and indicates an associated adjustment accordingly). The adjustment explanation may be sound but it's tricky to follow (and it assumes a lot of existing knowledge for the reader).

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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?*

Other circumstances do exist for consideration of credits and debits on carbon units. As referenced in section 1 above, the accounts should be adapted so they credit exports of goods and debit imports according to embodied / embedded carbon (so that a scenario factoring consumption is at least available).

In the case of units bought by individuals, businesses and other non-Governmental organisations, these are potentially eligible as credits under the proposals (which could allow anyone to transfer units to the credit account). So if a private purchaser specifically wishes offsets they have bought (for their own use) to also contribute to the UK carbon budgets, either they, or a third party acting on their behalf, may transfer the units to the credit account. It is understood that the proposal only allows this for Kyoto or EU ETS compliant units (and also that a Minister would have to declare that the units were being credited). This understanding should be confirmed. Objectively - double counting concerns should not apply to this situation as long as the offset was used (deployed) in the UK and the eligible credits are robust (CDM or EU ETS). In the future, there may be a need for 'accounting' provision in other countries to ensure no possible double counting. The provision outlined is broadly accepted. However, as already stated, the accounting should make clear and transparent reference to accounts both as;

- 1) UK accounts reduction based, and
- 2) UK accounts including offsets

In addition the following points are questioned;

1. *Section 64. In the case of voluntary offsetting of emissions from Government and wider public sector operations, Government proposes to credit these units to the net UK carbon account. **Not doing so would increase the overall cost** to the UK of meeting its carbon budgets*

The logic and context of this statement on the costs of climate change is not clear. For example, it is unclear if this acknowledges the efficiency savings possible to the UK of overall reductions. Further, it is not clear how these cost claims relate to studies such as the Stern review (where the critical cost issue is one of delay, with overall economic cost increasing relative to delay in low carbon economy investment).

2. *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.***

This is opposed at least initially. The government should first deliver and achieve audited net overall reductions. Government should set an example and require all depts. and public bodies to deliver net reductions.

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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?*

No comments

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?*

There should be no carry over or banking for future use. This prospect is likely to arise from the economic downturn and mild winters. Neither of which are actually drivers to deliver energy efficiency and genuine long term GHG reduction.

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?*

No comment

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?*

No specific comment. It would be interesting to understand more about the effectiveness of the existing systems and how they are independently audited.