

## **Reforming the business energy efficiency tax landscape**

### **IEMA response to HMT / DECC consultation – 9<sup>th</sup> November 2015**

The Institute of Environmental Management & Assessment (IEMA) is the professional home of over 15,000 environment and sustainability professionals from around the globe - [www.iema.net](http://www.iema.net). The following consultation response has been compiled building upon 3 engagement workshops and also a concluding webinar and survey. Over 400 members directly contributed, drawing on their cumulative experience of energy efficiency and carbon reductions in business and organisations. IEMA is uniquely placed to bring forward business evidence on the impact of developing policy in this area. We will be happy to continue to provide our profession based contribution as HMT and DECC progress this review.

**1. Do you agree with the principle of moving away from the current system of overlapping policies towards a system where a single business/organisation faces one tax and one reporting scheme? Please provide evidence on level and types of benefits of an approach like this.**

IEMA agrees with the principle of seeking a policy landscape whereby any single organisation will face only one reporting approach and one tax rate and where policy and scheme overlaps are removed or minimised. We recognise however that this will be a challenge to policy makers and caution that effective current policies should not be withdrawn prematurely. We propose an approach that ensures a smooth transition between the current and the future policy landscapes. In this context we advocate the active use of Regulatory Impact Assessment and the addition of two additional objectives for the review (as outlined below).

Many professionals working to comply with current policies have expressed their concerns about simplistic or excessive change to a functioning policy landscape where for many the largest administrative burden (the preparation hit) has already been taken by the business. There is concern that more change would in itself create another new administrative burden, especially if an approach is followed to sweep away policies rather than look to remove overlap and to evolve the policy landscape. Existing Policies will (if left) deliver important environmental outcomes and some have already been simplified, reviewed and shown to be effective<sup>1</sup>. IEMA therefore proposes that the review should add two further central objectives to those outlined in the consultation document on page 7 (point 2.1) as follows –

- 1) Ensure that any reformed policy landscape will achieve equivalent or higher carbon reductions than those projected for the existing schemes and policies Concerns exist that a ‘lighter touch’ simplified policy landscape could be less effective on its environmental outcomes. IEMA proposes that the Government’s review should, as a central objective, seek to increase overall carbon reduction impact (beyond the combined levels projected for existing policies) and that proposed replacement policies should (together) be transparently impact assessed against this principle. 90% of environmental and sustainability professionals consulted agree with this recommendation (IEMA survey November 2015 – Annex 1)
- 2) Provide a durable policy landscape that gives business longer term confidence and certainty<sup>2</sup> - IEMA members have commented on the significant disruption that has been caused in recent years in relation to the introduction and review of policies in this energy and carbon landscape. Some have referred to this as a ‘constant policy journey’ and others have noted how this in itself has proven to be a significant administrative burden on the business. IEMA supports the objective of trying to set a policy regime that will last and not be subject to constant change.

**IEMA therefore supports the principle within this consultation question but, to ensure a lasting and effective outcome, we propose addition of the above 2 further objectives**

Finally and based upon their direct experience, IEMA Members have indicated that key drivers for Energy and Carbon Reduction (such as taxes, mandatory reporting or scheme compliance) work most effectively when they are combined and when made highly visible and rarely work in isolation (90% agree - see survey question 12 - Annex 1).

Additionally in support of effective policy drivers there will be an important role for clear and unequivocal guidance. Members have stressed that good guidance can significantly reduce business burden and is an essential extra ingredient in the policy landscape. We have evidenced member support of this and specifically on the important contribution for carbon and energy guidance (94% agree - see survey question 10 – Annex 1)

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<sup>1</sup> June 2015 - Review / evaluation of the CRC Energy Efficiency Scheme - undertaken for DECC by CAG

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/445719/CRC\\_evaluation\\_synthesis\\_report\\_FINAL\\_150709.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445719/CRC_evaluation_synthesis_report_FINAL_150709.pdf)

<sup>2</sup> See also IEMA 2014 Climate Change and Energy Position Statement - <http://www.iema.net/climate-change-and-energy>

**2. Do you agree that mandatory reporting should remain as an important element of the landscape in driving the uptake of low carbon and energy efficiency measures? If not, why not?**

We agree mandatory reporting should play an increasing role in the UK energy and carbon policy landscape. Annual reporting and disclosure is a supportive policy driver that places an obligation on organisations to understand their energy consumption and carbon (GHG) emissions. Reporting can work alongside and support other policy drivers such as ESOS and any future climate or energy levy / tax.

There is a wide range of UK and international evidence on this medium term 'contributory' role of mandatory reporting supporting the wider policy landscape of fiscal instruments and incentives. IEMA is supportive of MCR as outlined in our 2014 Climate Change and Energy Position Statement. We have worked extensively with carbon and energy professionals to specifically support evidence and understanding of this policy driver<sup>3</sup>. We also tested the following position in our workshops with members and through our follow on survey-

*IEMA proposes that for the quoted companies already mandated (around 1,200) Mandatory GHG reporting should be continued within the policy landscape as an important medium term driver for energy and carbon reduction*  
*93% Agreed (Q 2 – Annex 1)*

IEMA would be concerned if the reach of mandatory reporting was reduced (for example if CRC was withdrawn without replacement). Instead the opportunity should be taken to carefully and proportionately extend mandatory reporting. This should be to compliment and not to replace Mandatory Carbon (GHG) reporting in Annual Reports (MCR). We would suggest that Government explores the development of an effective and 'non-overlapping' reporting landscape as follows;

- A. Companies already reporting UK and international GHG emissions under MCR in their annual reports (c1,200) should continue to do so and in line with the requirements of the 2006 Companies Act (amended 2013)
- B. Organisations that have not been required to report under MCR should be required to report annually but only on their UK basis and only to a scope consistent with the data they are collecting for ESOS. This 'second tier' reporting would apply to all companies covered by ESOS but outside of MCR (we understand this would be around 8,000). It could be referred to as ESOS+ and be set on energy (KWh) or potentially converted into a Carbon (GHG) value.

Ultimately IEMA supports mandatory GHG reporting being extended to all large organisations and we have evidenced our support for this policy driver in some detail<sup>4</sup>. However the above approach may be a more proportionate development at this time with minimal initial administrative burden (because in this approach the newly reporting large organisations will already have to collect this data for ESOS compliance purposes). As we have indicated it is essential to consider how policy drivers work together. This approach will directly support and reinforce ESOS which otherwise is potentially limited in its impact and visibility due to its 4 year regime.

IEMA members are supportive of such a combined approach where multiple policy drivers are deployed in a supportive framework for combined impact (see evidence in the response to our survey question 13 - Annex 1). The above approach will introduce a large number of companies to annual reporting at a minimum compliance level and will also be supportive to other important processes such as sustainable procurement. Our expectation is that reporting businesses will over time naturally progress to wider GHG reporting (in part so they can continue to demonstrate progress). Further or alternative considerations that have been raised include;

- CRC organisations being brought into MCR (potentially from CRC if that scheme is withdrawn)
- Organisations above a lower threshold are brought into MCR (perhaps limited to UK emissions)
- Public Sector is brought into either MCR or 'ESOS+ reporting' (especially if CRC is removed)
- Conditions upon ESOS organisations - reporting on their progress to implement ESOS audit recommendations

Finally, an important consideration in the policy landscape is the role of formal guidance. In relation to MCR/GHG reporting, Defra has existing guidance for UK organisations. A consultation on the clarification of scope 2 GHG accounting has been left unfinished. This will now be a priority for this review as it underpins the nature of energy or carbon measures to be incentivised (i.e. will determine if offsetting/tariff switching is treated as equivalent to energy reduction at source).

<sup>3</sup> 2010 Defra Report to Parliament outlining evidence on the role and value of GHG reporting –

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/69262/pb13449-corporate-reporting-101130.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69262/pb13449-corporate-reporting-101130.pdf)

-Defra - Final Regulatory Impact Assessment –( 2011 / 12) --- Mandatory GHG Reporting-

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/82354/20120620-ghg-consult-final-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82354/20120620-ghg-consult-final-ia.pdf)

<sup>4</sup> IEMA consultation response to Defra on Mandatory GHG reporting - including evidence -

<http://www.iema.net/system/files/iema20response20measuring20and20reporting20of20greenhouse20gas20emissions20by20uk20companies.pdf>

**3. Should such reports require board level sign-off and should reported data be made publically available? Please give your reasons.**

IEMA believes MCR should be maintained, the following answer is therefore mainly limited to the 'second tier' reporting we have suggested (point B in response to question 2 above).

In this situation there is a balance to strike between both internal reporting and external public disclosure. We believe certain information should be publicly reported. This could be limited to either an energy disclosure or to a carbon value (GHG) conversion. There also may be a case for an intensity metric as used in MCR. It is important there is an element of public reporting - reflecting the importance of this reputational driver and also using reporting as a supporting / reinforcing policy driver.

Certain further information may be appropriate for mandating in internal reporting. This could include reporting to the Board on the cost to the business of its carbon and energy footprint, or of its energy / carbon tax bill. This is an important consideration - especially if the CRC is removed.

It is important that reported data is signed off by a Board Director. This will help ensure that data is accurate and also that the reports have significant internal authority and influence.

**4. Do you agree that government should develop a single reporting scheme requiring all ESOS participants (and potentially the public sector (see paragraphs 4.21 – 4.23) to report regularly at board level? If so, what data should be included in such a report?**

We agree government should introduce an annual reporting requirement for ESOS participants to disclose either their UK energy or carbon data (to be confirmed). We have discussed this through workshops and tested the following position through our follow on survey with members –

*IEMA proposes that a level of mandatory reporting, either energy or carbon based, should also be extended to all large organisations (this would cover all organisations that have to comply with ESOS – understood to be c9,000  
92% agreed (Q3 - Annex 1)*

With guidance, it will be possible for companies under MCR to report this data as either a sub-set within their reports (or separately). As outlined in our response to question 2 – both of these reporting approaches should be developed as 'non-overlapping' requirements. The policy requirements should be determined by considering how all policy drivers will interact. As outlined in point 1 we believe the policy landscape will need to be looked at holistically and its overall impact assessed i.e. the decision on whether a scheme is required rather than a requirement may depend upon this wider landscape and policy development and interaction.

A key difference between MCR and ESOS reporting would be that MCR covers greenhouse gas data for international operations whereas ESOS+ would only cover the UK. On balance we believe the proportionate approach for the second tier reporting (ESOS+) is to naturally mandate it's reported scope in line with ESOS. We would like this however to be converted into a carbon / GHG value. Such an approach would give minimal admin burden at the outset but will lead businesses into GHG reporting (i.e. indirectly businesses will then over time progress to start reporting and managing wider material GHG emissions such as fugitives, refrigeration, forestry, land management etc).

A further consideration is the importance of internal reporting and this could be necessary to ensure visibility of fiscal policy drivers. For example if the CRC is removed, many organisations will lose a very effective current scheme requirement where the allowance price mechanism forces the organisation to review its compliance costs, other important drivers have also been identified such as fines, audits, responsibilities etc. If the visible allowance process is removed - it may be possible to consider an annual billing or a communication on 'levy' costs that brings this to the attention of decision makers. Internal reporting requirements may be an option to support this.

An important note is that ESOS uses a non-conventional timeframe - neither a calendar or financial year. MCR is also variable between companies (but is typically tied to the financial year end for the business).

Within member and wider stakeholder engagement on this review there has been a view offered that the future energy and climate change policy landscape can be delivered through the “prism of ESOS”. Although we do see some good connection to ESOS (outlined above) this on its own could be a restrictive starting point. A better analogy is to view ESOS as the corner piece of a much simpler jigsaw of regulation (i.e. fewer pieces and no overlaps).

**5. The government recognises the importance of ensuring market actors have access to transparent, reliable and comparable information to support financing and investment in energy efficiency and low carbon measures. How best can a streamlined report achieve this? To what extent does your response apply to other large companies (as defined in the Companies Act) that are not listed companies?**

The approach outlined above will be an extended reporting regime applying to over 9,000 businesses. Although the second tier is ‘lighter touch’ in its requirements – this approach will set a minimum compliance level that wider procurement parties, investors and other stakeholders will be able to use and draw upon.

The annual process of reporting serves to highlight progress (or lack of progress) to all interested parties. Many professionals have pointed out that direct comparisons between companies can be simplistic and this was prominent in concerns relating to the first published CRC league table. Comparisons of performance over time however are often referenced as more instructive and reporting and disclosure are critical to this.

**6. Do you agree that moving to a single tax would simplify the tax system for business? Should we abolish the CRC and move towards a new tax based on the CCL? Please give reasons.**

- Abolishing CRC and moving to a new tax based on the CCL would reduce some administrative burden.
- However this is also likely to reduce the effectiveness of the policy landscape overall in relation to energy and carbon reduction.
- Many have pointed out that the largest single administrative burdens have been in preparing for the CRC.
- The CRC has been an effective policy (evidence referenced in Q1).  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/445719/CRC\\_evaluation\\_synthesis\\_report\\_FINAL\\_150709.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445719/CRC_evaluation_synthesis_report_FINAL_150709.pdf)

The current policy landscape (including the CRC) should only be changed if replacement policies are developed that are well evidenced and are assessed to be more effective in their combined carbon/energy reduction impact.

**7. How should a single tax be designed to improve its effectiveness in incentivising energy efficiency and carbon reduction?**

In any future tax or pricing arrangement – visible longer term rates will be critical. This is essential in providing greater business certainty to new investment cases for energy efficiency and for renewables. IEMA has surveyed its members to seek further views – these are outlined below and also in full at Annex 1 –

- *To give confidence to the business and investment case, any future fiscal driver (price, tax or levy) must be clearly set over a medium term period (at least 3 years but preferably longer) 94 % agreed - Q5 Annex 1.*
- *The carbon allowance process within the CRC has been effective in raising the profile of energy and carbon costs. IEMA is concerned that any replacement fiscal drivers (e.g. tax or levy) must also be designed to be effectively ‘visible’ – 90% agreed – Q6 Annex 1.*
- *If the CRC is removed, many have proposed that the current CRC allowance price of £16 per tonne should continue to function for companies who were subject to the CRC scheme, and extended further to other large energy users outside of the current scheme – 61% agreed – Q7 Annex 1.*
- *Many professionals believe that the Landfill Tax has been a good example of a fiscal driver that has delivered change. Central to this is its clear timeline and escalator - 79% of IEMA members indicated they would be in favour of a similar escalator within either a carbon or an energy tax (Q8 Annex 1).*

Any new tax will need to be carefully designed to have impact and DECC is well placed to support HMT in this policy development process. The CRC allowance price of £16 Tonne is significantly greater than the current CCL and is made visible via the CRC schemes allowance purchase process. This has operated as an effective policy driver - supporting business cases for energy efficiency and renewable energy investments (see supporting evidence in earlier footnote - 1)

Assuming that the overall 'tax take' to the HMT remains neutral - concerns exist that spreading CRC allowance revenue across wider businesses (e.g. via CCL) could lead to an ineffectively priced levy. The risk is that the impact is diluted and the new levy will not be noticed, as is the case also with current CCL. A more effective environmental tax will need to be designed. Some considerations and early proposals include –

- A. Maintain a tax equivalent to CRC allowance price for all organisations in the current scheme or above a threshold that will extend the reach, and also extend to some organisations undertaking MCR but not caught by the CRC.
- B. Extend the current CRC allowance price out to a wider group and potentially to all ESOS participants which could significantly increase the tax take.
- C. Run the current CRC allowance price over a transition period, allowing recent business cases to work through
- D. Run a combination of the above -- whereby taxes are set at 2 different levels but are set to be effective and without overlap. For example potentially £16 Tonne for current CRC organisations and a second / lower level tax for wider organisations in ESOS (potentially a third lower rate for SMEs). This may function as a transition arrangement and potentially moving towards a single tax rate

If the CRC is removed there are concerns for the visibility of any replacement 'tax'. Suggestions made include provision for the carbon / energy tax to form a separate line item on utility bills for electricity and gas. Alternatively an annual bill or statement may be an option to increase visibility. As indicated earlier an internal reporting requirement could be developed to help resolve this issue.

Further suggestions include a clear energy tax escalator that increases year on year with a minimum 5 year horizon (similar to landfill tax). Counter points to this waste comparison are that taxes are a relatively smaller percentage of the energy bill and therefore an energy tax with an escalator will still not provide a company with strong certainty about their future cost exposure. Within this context however, confidence around the Government's fiscal driver is still seen as important and needs to be addressed as a central part of the wider policy landscape. It has been pointed out that for some businesses (including some EIs) that an escalator could lead to a punitive regime on organisations that may have increasingly marginal scope to reduce energy use. If an escalator is explored it will need careful consideration concerning its effectiveness and scope and the need for any appropriate exclusions and alternatives.

A further critical consideration is the need for clarity on exactly what measures are to be incentivised. IEMA has developed a GHG Management Hierarchy (see IEMA position statement - note 2) which professionals have used to help focus their energy and carbon reduction strategies and to plan these over time. This Hierarchy approach could for example be used by HMT / DECC to help prioritise and focus action upon measures that avoid or reduce energy consumption at source (potentially including substitution as well). It may be questioned how far the incentives should go and, for example would carbon offsetting or tariff switching to green electricity be eligible measures? These will be important considerations for all fiscal measures in the new landscape.

**8. *Should all participants pay the same rates (before any incentives/reliefs are applied) or should the rates vary across different businesses? For example, do you think that smaller consumers and at risk Energy Intensive Industries (EIs) should pay lower rates?***

- For the majority of companies we believe that a single transparent rate should apply. There will be a case for exceptions
- The example of the landfill tax has been highlighted as an effective green tax. Key elements are its longer term set rates and escalator. These provided some greater certainty and confidence (helped to enable investments)
- As outlined above those within the current CRC may require or merit a higher rate (possibly for a transition period or for current business cases to work through)
- EIs are recognised as requiring more careful treatment

**9. Do we currently have the right balance between gas and electricity tax rates? What are the implications of rebalancing the tax rate ratio between electricity and gas? What is the right ratio between gas and electricity rates?**

IEMA would expect the future rates to reflect the carbon intensity of the energy used. This is agreed (proposed) as a basis moving forward for HMT and DECC. Any changes would require careful transition. Members have made a number of comments and observations including -

- Businesses and organisations currently obligated under ESOS may have to review their energy reports and revise these if current gas and electricity rates are changed significantly.
- Some members have indicated that transport fuel elements such as diesel, petrol, LPG, CNG, LNG -should NOT be subject to further levels of taxation.
- EU ETS already incentivises reduction in gas use in manufacturing - further taxation may not automatically increase energy efficiency in all cases.
- Consideration is required on the case / impact upon CHP and other fuel switching.

**10. Do you believe that the CCA scheme (or any new scheme giving a discount on the CCL or on any new tax based on the model of the CCL) eligibility should only focus on industries needing protection from competitive disadvantage? If so, how should government determine which sectors are in need of protection?**

It is important that there is a scheme providing CCL support to industries which are at a competitive disadvantage due to the higher energy costs in the UK and EU. The CCA regime does this on a sector by sector basis which allows effective collective arrangements to be agreed for a large number of related businesses. Government can then ensure that a sector's needs are met but that individual operators within sectors are treated consistently.

Some further comments from members are that

- CCA's act a shield against policy costs and are business as usual for EII's -- they provide a stable framework but do not drive change above 'business as usual' because the costs of energy drive EII's to invest in EE already.
- For low energy intensive industries CCA's could work to provide a stable taxation mechanism that works as a constructive rather than punitive measure.
- A review of the energy intensity and other competitive disadvantage factors could re-prioritise the sectors into bands of relative risk

CCAs require careful consideration. The current Agreements have had effect and there is a good evidence base of progress across sectors. Moving forward we recognise there may be a case to transition to new approaches (as in other energy and carbon policy challenges). We believe this should be an evolution of the policy approach. For any changes transition periods will be needed and long CCA agreement timelines need factoring, many are only one or two years in to new agreement periods.

**11. Do you believe that the CCA scheme (or new scheme) eligibility should focus only on providing protection to those EIs exposed to international competition and at risk of carbon leakage? If so, how should the government assess which CCA sectors are at risk of carbon leakage?**

The evaluation of carbon leakage in the global market place and free markets is very complex to assess. Comments raised by members include –

- There may a need to review the EI definitions based on existing international benchmarks and methodologies. This could use the existing IPPC and EI sector justifications and utilise the Regulatory Impact Assessment process rigorously.
- Many sectors already have a wealth of energy efficiency data and competitive analysis information. If government defined a set of evaluation criteria then sectors could all feed data into the model consistently. Energy efficiency consultants need to support DECC in this process, as would the EA with the current CCA regime data sets, to ensure a verification of sector submitted data.

See also response at question 10

**12. Do you believe that the targets set by the current CCA scheme are effective at incentivising energy efficiency? Do you believe that the current CCA scheme is at least as effective, or more effective at, incentivising energy efficiency than if participants paid the full current rates of CCL? How could CCAs be improved? Are there alternative mechanisms that may be more effective?**

CCA's have worked to good effect as outlined in questions 10 and 11. It is understood that current CCA targets were set in 2012 based on 2008 benchmarks. This period covered the last economic downturn. As such it can be argued that they are not representative of current business environment in 2015. However, the report on the first target period has shown that many businesses are achieving efficiencies beyond their current targets and others are being incentivised to do so by failure and the resulting buy-out mechanism. The overall net energy savings against the targets are seen as significant for UK PLC.

It has been suggested that one CCA weakness as a lever on corporate energy efficiency is that it has little board room visibility. This is in part due to the discount being deducted prior to payment on every bill, which is often monthly and therefore a relatively small amount. If the discounts were paid annually they could be more visible and significant as levers? If this annual payment was linked to a director level sign off of the next years target commitment then the link of discount earned to future energy efficiency could be more visible and proactive. If this is to be explored the following comments from members may be useful -

*Consideration could be given that the CCA discount should be paid annually. The sectors could sign up to efficiency targets for 5 or 10 years as present but the data for this could be held in new style "climate change" evidence packs which would be auditable as part of the ESOS/CCA combined audits where operators overlap. For those below the ESOS threshold, many of which are EI SME's, this would need a parallel integrated audit of the evidence packs. The EA is already undertaking CRC/CCA audits and could adapt this process to deliver these outcomes.*

**13. Do you agree that incentives could help drive additional investment in energy efficiency and carbon reduction? Please explain why you agree or disagree.**

Our members have reviewed this in our workshops and agree on the need for incentives especially in relation to some priority sectors. Incentives could help drive additional investment in energy efficiency if designed correctly. Having a strong business case is only part of the solution and availability of capital can be a barrier;

- Some members have highlighted the effectiveness of Salix as an example from the public sector
- There are mixed opinions on whether incentives should be equally available or targeted. On balance some targeting is seen as required
- SMEs have been identified as a target group that would merit incentives (reference here made to 2010 BIS report and also DECC 2014 report<sup>5</sup> into the barriers to energy efficiency in SME decision making)

Proposals have also been raised on how incentives can be best progressed through and managed. As an example there are concerns about previous scheme incentives such as 'free energy audits' to SMEs where there has at times been a lack of follow through. Some innovative approaches have been suggested based upon collaboration. For example the potential to work through a larger company and into its supply chain -- or the potential for innovative businesses to explore heat or energy saving opportunities with EILs.

An important consideration is the need for clarity on exactly what measures are to be incentivised. IEMA has developed a GHG Management Hierarchy that can assist here (see earlier comment on Q7). This Hierarchy approach could be used by HMT /DECC to help prioritise and focus upon measures that avoid, reduce or substitute at source (rather than offset or compensate). Additionality and effectiveness will be important considerations within any incentive scheme developed.

In all IEMA engagement on this incentive question - it has been telling that after the discussion members have always defaulted back to stressing the imperative for an effective and longer term carbon / energy tax. This fiscal stick is clearly seen by IEMA members as the central critical fiscal driver. It is however agreed that incentives can and should make a contribution also.

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<sup>5</sup> DECC 2014- [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/392908/Barriers\\_to\\_Energy\\_Efficiency\\_FINAL\\_2014-12-10.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/392908/Barriers_to_Energy_Efficiency_FINAL_2014-12-10.pdf)

**14. What impact would moving to a single tax have on the public sector and charities?**

Moving towards a single tax could have benefits for the Public Sector. However a similar challenge exists in the risk of diluting the effectiveness and visibility of the CRC allowance price if this 'tax take' is spread too evenly across a larger field.

Charities have had exclusions on CCL but some larger charities are caught within the CRC and as a consequence are now managing and reducing their energy and carbon emissions. See also response at 16.

**15. How should the merged tax be designed to improve its effectiveness in driving energy and carbon savings from the public sector and charities?**

There is a need for an effective and appropriate fiscal policy driver in the public sector and also for charities. Some have suggested that the balance in the combined policies could be different to the business sector e.g. with a greater emphasis on reporting and a lower tax driver.

The critical point will not be just the design of the tax but also how that instrument will function alongside other policy future drivers such as reporting requirements

**16. Should a new reporting framework also require reporting by the public sector?**

IEMA members are also active in the public sector both directly (e.g. within Local Authorities, NHS Trusts, Police and Fire services, Education, Environment Agency and other public bodies) and also as service providers contractors and consultants into the sector.

Through our work with members a mixed picture is identified in relation to the effectiveness of energy and carbon policy drivers in this sector. In Scotland there are separate arrangements relating to the public sector from the Climate Change Act Scotland. However in England there are gaps identified such as the decline of reporting annual Local Authority emissions to DECC (i.e. process of the SOS writing to Local Authorities and requiring this submission appears to be slipping / not enforced). If the CRC is closed that will be a significant policy driver removed for many Public organisations within the scheme such as large Local Authorities and NHS Trusts. Re-orientating the policy landscape on ESOS will also be a potential issue as the Public Sector is outside of that Scheme.

Given the mixed picture and the decline and potential removal of some policies, we would suggest that the sector does require specific attention within this review. Proposals raised include the need for a reinvigorated reporting requirement and this could be consistent with new requirements for large businesses. Further suggestions include the consideration of a public duty to reduce carbon and energy. Through our workshops this issue was explored and in our further survey of members we included a question / proposal specifically on the public sector. The outcome is below:

*With the possible exception of Scotland (which has separate arrangements) - IEMA proposes the need for a clearer regulatory or 'duty' requirement on energy and carbon in the public sector (especially if the CRC is removed). – 90% agreed with this proposal (xxx responded to survey)*

1. **IEMA proposes that the Government's review should - as a central objective - seek to increase overall carbon reductions (beyond the combined levels projected for existing policies) and that any future replacement policies must (together) be transparently impact assessed against this principle.**

**Do you:**

- Agree – 90%
- Disagree – 7%
- Do not understand/other – 3%

2. **IEMA proposes that for the quoted companies already mandated (around 1,200) Mandatory GHG reporting should be continued within the policy landscape as an important medium term driver for energy and carbon reduction.**

**Do you:**

- Agree - 93%
- Disagree – 4%
- Do not understand/other – 3%

3. **IEMA proposes that a level of mandatory reporting, either energy or carbon based, should also be extended to all large organisations (this would cover all organisations that have to comply with ESOS – understood to be about 9,000).**

**Do you:**

- Agree – 92%
- Disagree – 7%
- Do not understand/other – 1%

4. **For simplicity, and to minimise administrative burden, any new reporting requirement on large organisations should be consistent to the energy and transport scope of ESOS (this assumes quoted companies are still under wider Mandatory GHG reporting).**

**Do you:**

- Agree – 90%
- Disagree – 6%
- Do not understand/other – 4%

5. **To give confidence to the business and investment case, any future fiscal driver (price, tax or levy) must be clearly set over a medium term period (at least 3 years but preferably longer).**

**Do you:**

- Agree – 94%
- Disagree – 4%
- Do not understand/other – 2%

6. **The carbon allowance process within the CRC has been effective in raising the profile of energy and carbon costs. IEMA is concerned that any replacement fiscal drivers (e.g. tax or levy) must also be designed to be effectively 'visible'.**

**Do you:**

- Agree – 90%
- Disagree – 5%
- Do not understand/other – 5%

7. **If the CRC is removed, many have proposed that the current CRC allowance price of £16 per tonne should continue to function for companies who were subject to the CRC scheme, and possibly extended further to other large energy users outside of the current scheme. Do you -**

- Agree – 61%
- Disagree – 22%
- Do not understand/other – 17%

**8. Many professionals believe the Landfill Tax has been a good example of a fiscal driver that has delivered change. Central to this is its clear timeline and escalator.**

**Would you be in favour of a similar escalator on either a carbon or an energy tax?**

- Yes – 79%
- No – 19%
- Do not understand/other – 2%

**9. With the possible exception of Scotland (which has separate arrangements) - IEMA proposes the need for a clearer regulatory or 'duty' requirement on energy and carbon in the public sector (especially if the CRC is removed).**

**Do you:**

- Agree – 90%
- Disagree – 8%
- Do not understand/other – 2%

**10. Government initiatives to simplify and remove guidance may be having a detrimental impact. There is a real business benefit in having clear energy and GHG guidance for businesses and for other organisations.**

**Do you:**

- Agree – 94%
- Disagree – 4%
- Do not understand/other – 2%

**11. Based on their experience of implementing recent policies (CCAs, GHG reporting and the CRC) IEMA Members have indicated that Energy and Carbon reduction approaches can be cost neutral for organisations and should lead to financial savings.**

**Using the following scale (1 is Completely Disagree, 6 is Completely Agree), to what extent do you agree with this statement?**

- 4 - 29%
  - 5 - 28%
  - 6 - 19%
- 
- 3 - 14%
  - 2 - 7%
  - 1 - 4%

**12. Based upon their experience, IEMA Members have indicated that key drivers for Energy and Carbon Reduction (such as taxes, mandatory reporting or scheme compliance) work most effectively when combined and when made highly visible (and rarely work in isolation as single drivers).**

**Using the following scale (1 is Completely Disagree, 6 is Completely Agree), to what extent do you agree with this statement?**

- 5 - 36%
  - 6 - 35%
  - 4 - 19%
- 
- 3 - 7%
  - 1 - 2%
  - 2 - 1%