



HILLBREAK

IPF Regulatory Update

Key recent sustainability changes

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The new name in training and advisory services for
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Today's agenda

Regulatory update

- Budget 2016 – What can we expect?
- Business Energy Tax Reform – Where will it take us?
- Future of environmental regulation – What hope is there?

Relevant regulations

CCA Climate Change Agreements	CCL Climate Change Levy	CPS Carbon Price Support	CRC CRC Energy Efficiency Scheme
ECAs Enhanced Capital Allowances	EPCs Energy Performance Certificates	ESOS Energy Saving Opportunities Scheme	MEES Minimum Energy Efficiency Standards

Apparent need for reform

Business Energy Tax Reform



In its September – November 2015 consultation, HMT stated that “it would consider reforms that:

- are consistent with fiscal consolidation plans
- simplify and reduce compliance and administrative costs
- support productivity through improving incentives for energy efficiency and carbon reduction
- protect energy intensive businesses at risk of carbon leakage.”

Key issues:

- Energy & carbon reporting
- Taxes & price signals
- Incentivising energy efficiency & carbon reduction
- Protecting energy intensive industries

Budget 2016: Energy taxes (1)

CRC Energy Efficiency Scheme (CRC):

- Closure of the scheme following the 2018-19 compliance year
- No purchase of allowances required to cover emissions for energy supplied from April 2019
- Report under the CRC for the last time by the end of July 2019
- Surrender allowances for emissions from energy supplied in the 2018-19 compliance year by end of October 2019

Climate Change Levy (CCL):

- Main rates will increase to recover lost CRC revenue
- CCL rates for different fuel types will be rebalanced to a ratio of 2.5:1 (electricity:gas) from April 2019 (compared to the current 2.9:1)
- Government intends to rebalance the rates further, reaching a ratio of 1:1 (electricity:gas) by 2025.

Budget 2016: Energy taxes (2)

Carbon Change Agreements (CCA):

- Increase the CCL discount available to Climate Change Agreement (CCA) participants from April 2019 to ensure they pay no more than an RPI increase
- Government will keep existing CCA scheme eligibility criteria in place until at least 2023.

Carbon Price Support (CPS):

- Government will continue to cap rates at £18/tCO₂ to 2019-20
- For 2020-21, cap to be maintained in real terms set at £18/tCO₂ + RPI
- Long term direction for CPS rates & Carbon Price Floor at the Autumn Statement 2016.

Budget 2016: Also these...

Enhanced Capital Allowances (ECAs):

- The list of qualifying energy-saving & water efficient kit will be updated in “summer 2016”.

Energy & carbon reporting:

- 2016 consultation on a simplified energy & carbon reporting framework
- Introduction April 2019?
- Potentially:
 - Mandatory reporting for large organisations (ESOS-compliant)?
 - Board/senior level sign-off?
 - Public & private sectors?
 - Annual, compatible with internal business processes?

Key Budget lessons?

- CRC | CCL | ESOS |

In other news...

New Amendments for EPCs and MEES Regulations



MEES: Energy Performance of Buildings (England & Wales) (Amendment) Regulations 2016

- Access to EPC bulk data
- Recommendation Report data to be included on the Register
- Opt-outs for building owners/occupiers for publication of information from the Register

The Building Regulations &c. (Amendment) Regulations 2016

- Alteration to EPC calculation methodologies
- Certain building exclusions
- Qualification of those able to issue certificates



How do regulatory changes fit in?

COP21 & L'Appel de Paris



What was achieved?

- To keep global temperatures "well below" 2.0C above pre-industrial times & "endeavour to limit" them to 1.5C
- To limit the amount of greenhouse gases emitted by human activity to the same levels that trees, soil & oceans can absorb naturally, beginning at some point between 2050 and 2100
- To review each country's contribution to cutting emissions every five years so they scale up to the challenge
- For rich countries to help poorer nations by providing finance to adapt to climate change & switch to renewable energy.

This means bringing down greenhouse-gas emissions to net zero within a few decades, in line with the scientific evidence



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COP21 • CMP11



How do regulatory changes fit in?

COP21 & L'Appel de Paris



How will COP21 affect UK domestic policy?

The UK government says it is committed to tightening the law and updating the (Climate Change Act) commitment of an 80% carbon emissions reduction by 2050.

“The question is not whether but how we do it. And there are an important set of questions to be answered before we do”

Energy Minister Andrea Leadsom, 14 March 2016

How does that stack-up?

Solar subsidy cuts | No zero carbon mandate | Wind power reductions | Carbon Capture & Storage absent | No nuclear deal | VED changes...



How do regulatory changes fit in?

COP21 & L'Appel de Paris



What would have to change to make UK policy work?

- Lots of actions, including:
 - ✓ Nuclear & renewables would have to be enhanced & available soon
 - ✓ CCS becoming the norm
 - ✓ Energy storage being more effective, cheaper & easier
 - ✓ Demand management – energy efficiency – MUST be improved
 - ✓ Effective policy which joins the dots...



What makes for effective policy?

- ✓ **Building regulations, codes, standards** are considered to be the most cost efficient and effective way of changing market participants' behaviour... it is important to ensure these are dynamic, ambitious, have a clear developmental trajectory and are supported by a broad policy package
- ✓ **Choice-editing** by prohibiting the use of particular products, e.g.
 - ✓ of a specific technology (e.g. HCFCs);
 - ✓ products which fail to meet performance criteria (e.g. Eco Products Directive);
 - ✓ reducing the liquidity of assets which do not meet pre-determined standards, as per MEES.
- ✓ **Policy bundles** are effective: set a minimum standard; devise a label; provide over-performance financial incentives
- ✗ **Broad impact policies** (e.g. CCL) tend to be less effective.
- ✗ Similarly, those which require a processes or the gathering of information **without any compulsion to act** on the findings (e.g. Air-Con Assessments) are not found to be particularly effective

Source: Deloitte & GPA 2014

Thank you



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