



**Friends of
the Earth**

Friends of the Earth's response to the consultation on measures to reduce carbon emissions in large non-energy intensive business and public sector organisations (January 2007)

Friends of the Earth welcomes the government's initiative to reduce carbon emissions in the large non-energy intensive business and public sector organisations. The need to reduce emissions is both urgent and far-reaching and clearly this sector must contribute to the effort.

We would support the use of the Energy Performance Commitment (EPC) on a mandatory basis and urge that the scheme begins as soon as possible, but we strongly believe that its level of ambition must be increased. Our research leads us to believe that the UK should commit to a reduction of at least 3% *annually* across the board as our fair share of the work to keep temperature rises to 2 degrees or below. The proposed reduction of 1.2 Mt targeted under the EPC falls woefully far short of such an effort – this would put 2020 emissions only around 2.7% less than today (i.e. generously a 3% reduction over 10 to 12 years – rather than the 3% annual reduction that is necessary over all sectors). We note that Marks & Spencer have committed to cutting their energy consumption by 25% by 2012, and Woking Borough Council achieved a 20% reduction in energy consumption in 4 years.

Furthermore we note that, in any case, an overall absolute carbon budget for the UK is needed – an EPC scheme or similar may well help but it is no substitute for a clear budget across all sectors for the years to 2050. Isolating particular policy measures for detailed carbon calculations is useful but avoids the bigger picture – it should be clear how all initiatives fit into at least the achievement of the stated policy goal of a 60% reduction by 2050.

A robust EPC scheme would:

- be mandatory
- distribute all allowances by auction
- achieve (sufficient) absolute emissions reductions through the use of stringent caps, and
- use the revenue raised to further boost energy efficiency and low carbon technologies.

Some specific comments to individual questions follow.

8. What is your view on the role of a voluntary benchmarking and reporting scheme to achieve the proposed emission reductions, or would you prefer a different voluntary approach?

We do not support a voluntary scheme. The consultation itself notes that uptake may be quite limited and even the most optimistic view of participation leads to less carbon reductions than through the mandatory EPC. A mandatory scheme will provide a more level playing field and yield predictable and higher achievements in emissions reductions.

19. Is a suitably designed auction the right approach to allowance allocation?

We support the auctioning of all of the allowances. We believe this is a more rational approach than the free distribution of quotas and will better discourage over-estimation of base-line emissions.

20. Do you agree that there should be an introductory phase? What are your views on the proposed approach, including the length of an introductory phase, and the operation of the market during this phase?

The 2-3 year trial proposed seems unnecessarily long – we would have thought that utility bills and fuel bills could be used for establishing base line data and that a one year trial, followed by a second year which implemented a relatively easy cap and a safety valve mechanism would be sufficient.

21. What is your view on the proposed approach to setting the cap?

As noted in the introduction, the proposed savings (relative to business as usual increases) look totally inadequate as a response to greenhouse gas-driven climate change. Given that participants are set to benefit hugely from reductions in fuel bills, given that the Carbon Trust originally estimated that larger savings in emissions could be made, given the eventual cost of carbon emissions to damaged ecosystems and societies, we have to conclude that the cap should be much tighter.

However reducing the cap annually and ensuring a review on a four-year cycle look to be useful mechanisms in principle. We would again say that this should still be in the context of an overall UK carbon budget.

24. Should the scheme include a “buy-only” link to the EU ETS or an alternative form of “safety-valve”?

A buy-only link to the EU ETS would be acceptable, assuming that the ETS scheme itself is truly delivering emissions reductions and not awash with surplus allowances. A buy-out price would not be acceptable, since it would eliminate the link with emissions reductions schemes and increase the uncertainty of the system to deliver.

25. Do you agree that auction revenue should be recycled to participants?

No. The increase in energy efficiency will bring considerable net financial benefits to participating companies, and so it seems unnecessary to provide revenue recycling as an incentive whilst adding to the complexity of the scheme. We would prefer that the revenue be used to stimulate further energy efficiency and/or development and use of alternative low carbon energy sources. It also seems likely that many companies will be able to pass on the initial costs of purchasing allowances to their customers in any case (according to a private comment from an industry rep at a stakeholder meeting on EPC) and, as non-energy intensive sectors, the costs should not be such a great proportion of the business turnover.

*Mary Taylor
Energy and Climate Team
Friends of the Earth*