

Cold Chain Federation Energy Week Webinar

Energy and Carbon Policy Landscape

16 June 2020

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Agenda

1. Current CCA Scheme
2. COVID-19 impact on CCA
3. CCA 2 year extension
4. CCA Scheme open to New Entrants
5. CCA scheme long term future
6. Future of UK Carbon Pricing
7. Streamlined energy and carbon reporting update
8. Questions & close

Policy Landscape

- Aim: overview of energy and carbon policy as UK faces net zero 2050
- Approach: updates on CCA (current/extension/future), UK ETS, SECR

	2020	2021	2022	2023	2024	2025	2026
Net Zero 2050 CCA extension CCA long term? UK ETS? SECR ESOS	Net Zero Path (Dec 2020)			4th Carbon Budget (2023-27)			
	New entrants	Target Period 5					
				Future CCA? (2023 - ?)			
		Consult cap	Phase I 2021-2030	Cap tightens 2024			
	Annual with Directors Report						
	Phase 3 (2020-23)				Phase 4 (2024-27)		

Net-Zero 2050

- COP26 in Glasgow now 1st – 12th November 2021
 - COP will determine future UK energy & carbon policy landscape
- “Race to Zero” campaign launched
 - Coalition of net zero initiatives: cities, regions, businesses
- CCC Net-Zero Trajectory
 - CCC Sixth Carbon Budget in Dec 2020 for GHG emissions 2033-2037
 - Set the path to net-zero 2050, first budget in law since
- Treasury Net Zero Review
 - Who is going to pay and where would the costs best fit
 - Not going to lay out a path to net zero 2050
 - Publication date uncertain - cost of transitioning to 2050 in economic crisis



UN CLIMATE
CHANGE
CONFERENCE
UK 2021
IN PARTNERSHIP WITH ITALY



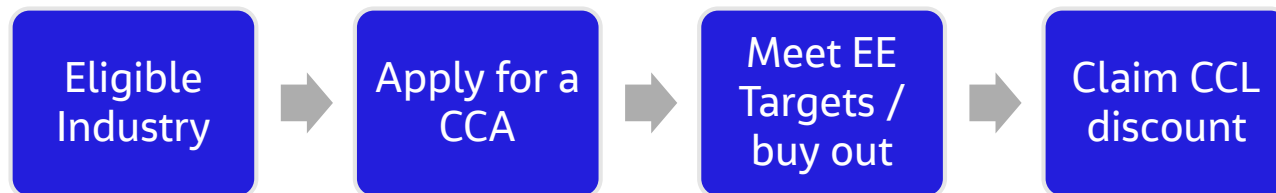
Committee on
Climate Change

Current CCA Scheme

Current Climate Change Agreement (CCA) Scheme

CCA = a voluntary agreement between industry & government

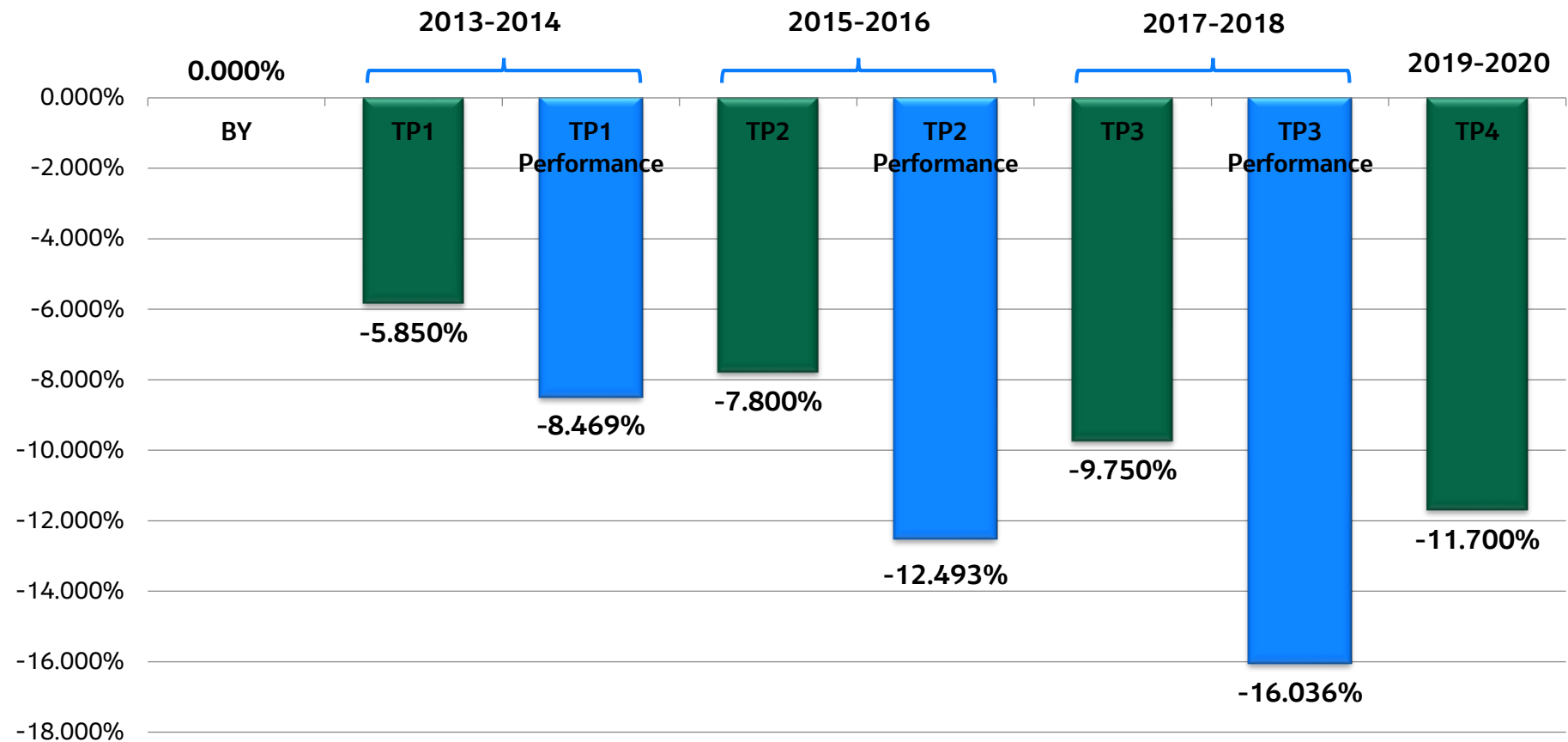
- **Targeted** – company with a CCA has an energy efficiency target
- **Levy discount £** – company claims discount on CCL charged on energy bills
- Up to 92% discount elec & 81% gas
- Discount worth ~ £10M PA to cold storage sector
- Current CCA Scheme 2013 to Mar 2023
- BEIS consulting on 2 year extension to Mar 2025
- Major policy cold storage sector



Cold Storage Sector Performance – Target Periods 1, 2 & 3



2008 base year, performance in kWh/m³



Current CCA: Energy efficiency trends in cold storage

- Steady EE improvement for cold store CCA operators in recent years:
 - LED lighting roll out
 - efficiently designed chill volume extensions
 - efficient refrigeration plant e.g. CO₂ plant
 - purchase of more efficient MHE (chargers, batteries, fork lifts)
 - increased PV uptake (needs CCA recognition)
- CCA performance exposed to hot summers:
 - Particularly for retail with rapid stock rotation
 - Trucks frequently dropping and picking up
 - Hot air can enter through the dock doors
 - Need rapid fix to ill-fitting air cushions and dock doors
- Brexit
 - End transition period may peak stockpiling and blast freezing



COVID-19 impacts on CCA

Impact on energy in the short and medium term

COVID-19 and impacts on CCAs

- TP4 targets harder where:
 - Food demand increases throughput e.g. supermarket depots
 - Increased blast freezing and lower chamber temperatures
- TP4 targets OK despite:
 - Hospitality shutdown so lower energy use, kWh/m³
 - Furloughed staff may impact NE applications
- Electricity prices:
 - Electricity prices dived, EE cost driver reduced
- Delay to completion of new build cold stores:
 - May miss new entrant Sept deadline
- Submitted impacts to BEIS, Treasury & EA
 - Notify CCA Helpline if you are affected



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CCA Extension

Target Period 5 (TP5)

CCA Extension – TP5

Proposed target and certification periods (including extension to existing CP5)							
	2019	2020	2021	2022	2023	2024	2025
Target Period (TP)	TP4: 1 Jan 2019 to 31 Dec 2020		TP5: 1 Jan 2021 to 31 Dec 2022				
Certification Period (CP)		CP4: 1 Jul 2019 to 30 Jun 2021		CP5: 1 Jul 2021 to 30 Jun 2023		CP6: 1 Jul 2023 to 30 Mar 2025	

- March 2020 budget, 2-year CCA extension announced (subject to consultation)
- TP5 extension to 2022, discount to Mar 2025
- BEIS proposed 6.67% relative energy target by 2022
- 2018 base year
- BEIS respond to consultation feedback July

CCA Scheme Open to New Entrants NOW



New Entrant CCA Applications	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Applications open										
Deadline to submit applications to CCA Helpline					28 Aug					
Deadline for EA for applications						30 Sep				
New CCAs issued take effect from 1st Jan										01 Jan

- CCA Helpline deadline for applications **28th August 2020**
- Contact CCA Helpline for New Entrant application pack
- Your new CCA would begin 1st January 2021

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CCA scheme long term future

Beyond 2023

CCA scheme long term future

- CCA Consultation covered future CCA Scheme 2023 - 2030+
- Net-Zero 2050 pressure for more ambitious CCA targets, possibly absolute
- Cold Chain Federation consultation response, future CCA:
 - relative carbon savings as opposed to energy savings;
 - recognition for on-site and procured renewables in CCA;
 - accessible energy efficiency funding (beyond the IETF);
 - carbon trading;
- We will explore further in future CCA Scheme Consultation

CCA Evaluation Report

"More consistency in the stringency of targets and possibly higher buy-out fees, to increase the impact of the scheme on energy efficiency"

"More consistent with carbon reduction"



Climate Change
Agreements: proposal for
scheme extension and
views on reforms for any
future scheme

Closing date: 11 June 2020

April 2020

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Brexit and UK ETS

Future of UK Carbon Pricing & energy/carbon policies

Future of UK carbon pricing post Brexit

Carbon Tax Fallback

Stand alone UK ETS

UK ETS linked to EU ETS

- Government response to the future of carbon pricing in the UK
- Covers energy intensive industries, power and aviation
- Installations with combustion of fuels (thermal input over 20MW)
- Initial cap set 5% below UK's share of EU ETS cap for Phase IV
- Cap significantly tightened by 2024 to match net-zero trajectory
- Phase I (2021-2030) Phase II (2031->)
- Auction Reserve Price £15/tCO₂e



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Streamlined Energy and Carbon Reporting (SECR)

Introduction to SECR

- **SECR replaces CRC:**
 - SECR began 1st April 2019
 - SECR: 11,900 large companies
 - CRC: 4,000 large companies
- **SECR coverage:**
 - Covers LLP & large companies
 - Disclose energy & carbon
 - Disclose EE narrative
 - Director's report
 - COVID-19 3-month extension to file
- **Why did BEIS introduce SECR?**
 - More companies report carbon & energy
 - MGHG 1,200 companies (since 2013)
 - Over 10,000 more companies
 - Drive carbon reductions
 - Increased transparency
 - Information for investors
 - Taskforce Climate-related Financial Disclosure
 - Companies differentiate from competitor

Conclusions

Summary

- Entering a new policy phase decarbonising industry:
 - Demand to ramp up energy efficiency
 - Absolute carbon savings pressure
 - Any future CCA will be challenging
 - Pressure through compliance (SECR and ESOS)
- Business to factor into short and medium term planning
- More transparency in future

Any Questions?

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