

4.8.3 CARBON EMISSIONS PC

DRAFT DETERMINATION - NORTHUMBRIAN WATER REPRESENTATION

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Ofwat ODI Response - GHG Emissions – Supporting information

This paper details issues and ambiguity relating to the GHG emissions ODI. The table gives a discreet issue, the solution and a full justification.

Issue	Proposed Solution	Justification					
<p>The DD states that emissions are to be reported using both 2019/20 emissions factors & actual year factors, yet it is not clear which factor the ODI would be based on.</p>	<p>Annual emissions reporting shall use only the appropriate emissions factors for that year.</p>	<p>Firstly, it appears Ofwat assumes that NWL benefit as emissions factors reduce, this is not true. In a market-based approach electricity imports cause zero-emissions, but the offset value of electricity exported reduces as the grid emissions factor reduces - up to date emissions factors make GHG reductions more challenging. Secondly, it is the intent of the ODI that NWL reduces its real emissions. Out of date emissions factors could drive us to make decisions that increase emissions in real terms. Finally, our customers require clear & credible reporting, the DD would require four emissions values to be reported (market & locational with two different emissions factors), this lacks clarity & reduces accountability.</p>					
<p>The measurement of emissions for the purposes of the ODI will adopt the ‘market-based’ approach. The DD limits market-basing to electricity, this is inappropriate.</p>	<p>The emissions figure shall include market-based emissions factors for all energy supplies.</p>	<p>The water sector has led the green gas industry. Green gas displaces fossil fuels & delivers real carbon savings. Improving the efficiency of existing generation & developing new sources of green gas should be encouraged, this is not the case where market basing applies to electricity only.</p>					
<p>The DD states that GHG emissions are to be calculated using the UKWIR Carbon Accounting Workbook. The workbook will be replaced from APR 2019/20 with a new methodology, this work is being led by the consultancy Ricardo. The new workbook will become best practice for the industry but could significantly adjust the baseline</p>	<p>NWL shall re baseline emissions for the 2017/18 period using 2019/20 UKWIR Carbon Accounting Workbook & 2017/18 emissions factors as soon the workbook is made available. NWL shall commit to the same level of reduction in tCO₂e tonnes against the baseline as in the DD, figures given below.</p>	<p>The purpose of the ODI is to drive real reductions in greenhouse emissions. Any change in reporting stimulated by the new Carbon Accounting Workbook could produce penalty/reward where no tangible action has been taken. Fixing the carbon reductions on a mass basis ensures NWL are accountable for significant GHG reductions. The new workbook shall become best practice for the sector so is the best available technique for measuring emissions</p>					
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 12.5%;">20/21</td> <td style="width: 12.5%;">21/22</td> <td style="width: 12.5%;">22/23</td> <td style="width: 12.5%;">23/24</td> <td style="width: 12.5%;">24/25</td> </tr> </table>	20/21	21/22	22/23	23/24	24/25	
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<p>carbon emissions.</p>	<table border="1"> <tr> <td data-bbox="752 268 875 395">Reduction vs. 17/18 baseline (tCO2e)</td> <td data-bbox="875 268 981 331">9009</td> <td data-bbox="981 268 1086 331">10178</td> <td data-bbox="1086 268 1191 331">11347</td> <td data-bbox="1191 268 1296 331">12517</td> <td data-bbox="1296 268 1350 331">13686</td> </tr> </table>	Reduction vs. 17/18 baseline (tCO2e)	9009	10178	11347	12517	13686	<p>performance.</p>
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<p>The DD requires that the report be subject to an audit by a Certified Emissions Measurement & Reduction Scheme (CEMARS) auditor. To date NWL has not been audited to this standard & existing data recording & reporting may be identified as requiring improvement.</p>	<p>NWL shall take commercially reasonable steps to implement the recommendations of the AMP7 CEMARS audits.</p>	<p>NWL recognises the need to audit the reported emissions figures.</p>						
<p>The DD requires that NWL provide 3rd party assurance that all data complies with ISO 14064-1. It is up to UKWIR (not NWL) to ensure that the data inputs required by the workbook satisfy this. Ensuring NWL’s data collection meets ISO 14064-1 may require new practices & equipment that cannot be implemented economically or on time.</p>	<p>NWL shall take any commercially reasonable steps identified to ensure that its data collection meets ISO 14064-1.</p>	<p>NWL shall as far as commercially reasonable comply with the data collection standards of ISO 14064-1, but cannot be held accountable for instances where failings in the Carbon Accounting Workbook prevent the reported figure from meeting this standard, or where data requirements require uneconomic changes to data recording systems & equipment. Given the short timescales of the DD response, it is not possible for NWL to do a full review of the ISO standard & our current corporate data collection.</p>						