



The Scottish Parliament
Pàrlamaid na h-Alba

ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE

AGENDA

10th Meeting, 2017 (Session 5)

Tuesday 21 March 2017

The Committee will meet at 9.30 am in the James Clerk Maxwell Room (CR4).

1. **Decision on taking business in private:** The Committee will decide whether to take items 4 and 5 in private.
2. **Subordinate legislation:** The Committee will take evidence on the Carbon Accounting Scheme (Scotland) Amendment Regulations 2017 [draft] from—

Roseanna Cunningham, Cabinet Secretary for Environment, Climate Change and Land Reform, John Ireland, Deputy Director of Decarbonisation, and Tom Russon, Policy Advisor Decarbonisation Division, Scottish Government.
3. **Subordinate legislation:** Roseanna Cunningham (Cabinet Secretary for Environment, Climate Change and Land Reform) to move—

S5M-04481—That the Environment, Climate Change and Land Reform Committee recommends that the Carbon Accounting Scheme (Scotland) Amendment Regulations 2017 [draft] be approved.
4. **Work programme:** The Committee will review its work programme.
5. **Scottish Government's Wildlife Crime in Scotland - Annual Report 2015:** The Committee will consider a draft response to the Scottish Government.
6. **Deer Management in Scotland (in private):** The Committee will consider a draft report.

ECCLR/S5/17/10/A

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The papers for this meeting are as follows—

Agenda items 2 and 3

Affirmative instrument cover note

ECCLR/S5/17/10/1

Agenda item 4

PRIVATE PAPER

ECCLR/S5/17/10/2
(P)

PRIVATE PAPER

ECCLR/S5/17/10/3
(P)

Agenda item 5

PRIVATE PAPER

ECCLR/S5/17/10/4
(P)

Agenda item 6

PRIVATE PAPER

ECCLR/S5/17/10/5
(P)

SSI cover note for the Carbon Accounting Scheme (Scotland) Amendment Regulations 2017 [draft]

Title of Instrument:	Carbon Accounting Scheme (Scotland) Amendment Regulations 2017 [draft]
Type of Instrument:	Affirmative
Laid Date:	21 February 2017
Circulated to Members:	16 March 2017
Meeting Date:	21 March 2017
Minister to attend meeting:	Yes
Motion for approval lodged:	Yes – S5M-04481
Drawn to the Parliament’s attention by the Delegated Powers and Law Reform Committee?	No
Reporting deadline:	17 April 2017

Delegated Powers and Law Reform Committee

1. At its meeting on 7 March 2017, The Committee considered the following instrument and determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit.

Purpose of the instrument

The Scottish Government has provided a brief summary on the purpose of the instrument:

2. These Regulations amend the Carbon Accounting Scheme (Scotland) Regulations 2010 (“the 2010 Regulations”). The 2010 Regulations make provision about carbon units and carbon accounting for the purposes of Part 1 of the Climate Change (Scotland) Act 2009.

3. The main purpose of this SSI is to provide a method for performing the next (2015) round of calculations required to adjust the Net Scottish Emissions Account (NSEA, the metric against which all emission reduction targets under the Climate Change (Scotland) Act 2009 are set) to account for the operation of the EU ETS. In this regard, the present SSI represents the third instance of a set of routine technical amendments to the Carbon Accounting Scheme (Scotland) Regulations 2010, following similar SSIs in 2015 (covering the 2013 NSEA calculation) and 2016 (covering the 2014 NSEA calculation). In contrast to the previous two sets of amendments regulations, the present SSI is subject to the affirmative procedure as it also serves to update the definition of one of the carbon unit types listed in the Regulations, so as to reflect the transition from Phase II to Phase III of the EU ETS.

4. As in previous years, a technical paper setting out the method used to determine a Scottish EU-ETS cap for 2015 (the figures from which form part of the draft SSI) has been published by the Scottish Government (**see Annexe A**).

5. A copy of the Explanatory Notes and the Policy Notes are included with the papers.

Procedure

6. The draft Order was laid on 21 February 2017 and referred to the Environment, Climate Change and Land Reform Committee. The Order is subject to affirmative procedure (Rule 10.6). It is for the Environment, Climate Change and Land Reform Committee to recommend to the Parliament whether the Order should be approved. The Cabinet Secretary for Environment, Climate Change and Land Reform has, by motion [S5M-04481](#) (set out in the agenda), proposed that the Committee recommends the approval of the Order.

Recommendation

7. The Committee must decide whether or not to agree to the motion, and then report to Parliament accordingly, by 17 April 2017.

Supporting documents provided by the Scottish Government

Explanatory note

As per purpose above and including:

Regulation 2(2) updates the definition of “European Union allowance” to reflect the transition from phase 2 (2008-2012) to phase 3 (2013-2020) of the European Union Emissions Trading Scheme (“EU ETS”) established under Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC(a), by ensuring that the definition is not restricted to allowances converted from assigned amount units for the phase 2 period. This update does not require any adjustment to the net Scottish emissions account figures previously reported.

Regulation 2(3) amends regulation 8B(4) to ensure that the rules for the accounting of carbon units in relation to emissions from aviation activities in 2014 match the method used to calculate the appropriate net Scottish emissions account figure for that year. Accordingly, this amendment does not require any adjustment to the figure previously reported for that year.

Regulation 2(4) inserts regulation 8C to provide a method for determining whether an amount of carbon units is to be credited to or debited from the net Scottish emissions account for 2015(b).

Regulation 2(5) inserts a provision to set out the information to be included in a register for 2015.

No business and regulatory impact assessment has been prepared for these Regulations as no impact upon business, charities or voluntary bodies is foreseen.

Policy note

The above instrument is made in exercise of the powers conferred by sections 13(5), 20(1) and 96(2) of the Climate Change (Scotland) Act 2009 (“the Act”) and all other powers enabling the Scottish Ministers to do so. The instrument is subject to the affirmative procedure.

The main purpose of the Carbon Accounting Scheme (Scotland) Amendment Regulations 2017 (“the Regulations”) is to make provision for the circumstances and manner in which carbon units may be credited to, or debited from, the net Scottish emissions account for 2015.

In particular, the Regulations amend the Carbon Accounting Scheme (Scotland) Regulations 2010 so as to require the Scottish Ministers, by 30 June 2017, to calculate whether an amount of carbon units is to be credited to, or debited from, the net Scottish emissions account for 2015 as a result of the operation of the EU Emissions Trading Scheme (ETS) in Scotland.

This calculation has two components:

- In relation to “aviation activities”¹, whether the amount of emissions in respect of Scotland from such activities in 2015 is more or less than the “aviation cap” for 2015;
- In relation to “other activities”², whether the amount of carbon units surrendered in respect of such activities in Scotland as a result of the operation of the EU ETS in the “relevant period”³ for 2015 is more or less than the “fixed installation cap” for 2015.

The new provisions broadly mirror those used for the calculation of the net Scottish emissions account for the years 2014 and 2013. A paper setting out how the “aviation cap” and the “fixed installation cap” for 2015 have been determined has been published by the Scottish Government⁴.

The Regulations also update the definition of an “European Union allowance”, one of the types of carbon unit that can be used under the Act, to reflect the transition from phase II (2008 – 2012) to phase III (2013 – 2020) of the EU ETS. The update ensures that the definition is not restricted to allowances converted from assigned

¹ As listed in Annex I of Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Directive 96/61/EC (OJ L 275, 25.10.2003, as last amended by Decision (EU) 2015/1814 (OJ 264, 9.10.2015, p.1).

² These are those activities, other than aviation activities, listed in Annex I of Directive 2003/87/EC.

³ The use of a 16 month relevant period reflects the fact that surrenders in relation to activities occurring during 2015 can occur during the early part of the following calendar year.

⁴ <http://www.gov.scot/Topics/Statistics/Browse/Environment/Publications/ETScap2015>

amount units under phase II. This update does not require any adjustment to the net Scottish emissions account figures previously reported.

The Regulations also amend regulation 8B(4), to ensure that the rules for the accounting of carbon units in relation to emissions from aviation activities in 2014 match the method which was used to calculate the appropriate net Scottish emissions account for that year. Accordingly, this correction does not require any adjustment to be made to the net Scottish emission account figure previously reported for 2014.

Background

For the purposes of the Act, the net Scottish emissions account means the aggregate amount of “net Scottish emissions” (emissions plus “removals” such as carbon sequestration by woodland), reduced or increased by the amount of “carbon units” credited to it, or debited from it, in accordance with the Carbon Accounting Scheme (Scotland) Regulations 2010.

Consultation

The UK Committee on Climate Change and the UK Government were consulted on the method for crediting or debited carbon units, in respect of Scotland, as a result of the operation of the EU ETS.

Financial Effects

A Business and Regulatory Impact Assessment (BRIA) is not required, as the instrument will not, in itself, impose new regulatory burdens on businesses, charities or the voluntary sector.

Determining a Scottish EU-ETS cap for 2015

The following paper documents the calculations which determine the 'specified amounts' for emissions from (i) fixed installations located in Scotland and covered by the EU emissions trading system (EU-ETS) and (ii) aviation covered by the EU-ETS.

This paper follows on from, and uses identical calculations to papers released in June 2015 and in January 2016 which documents the calculation of the specified amount for Scottish EU-ETS emissions for 2013 and for 2014 respectively. These papers can be downloaded from the Scottish Government website^{5 6}.

Part 1: Fixed Installations Cap

Auctioned allowances

The Committee for Climate Change has recommended⁷ that the amount of auctioned allowances assigned to Scotland should equal the UK amount for a given year multiplied by the share of verified emissions from Scottish fixed installations during the Period 2005-2007 inclusive. The National Atmospheric Emissions Inventory⁸ contains the following estimates for verified emissions resulting from onshore installations only, as offshore installations are covered by the free-allocation of emissions allowances.

Table 1: Verified onshore emissions

Year	Scotland	UK
2005	20.463	233.651
2006	24.196	242.108
2007	22.253	243.624
2008	23.765	264.861
2009	21.962	231.753
2010	24.041	237.234
2011	20.056	220.690
2012	20.349	231.084

All values MtCO₂e

The Scottish share of UK onshore verified emissions over the period is $(20.463+24.196+22.253)/(233.651+242.108+243.624) = \mathbf{9.30\% \text{ (rounded)}}$.

The amount of auctioned emissions allowances assigned to the UK during 2015 can be found at the Intercontinental Exchange's website⁹, this value equals 74,958,000 allowances.

The number of auctioned allowances for Scotland in 2015 therefore equals: $74,958,000 \times 0.093012 = \mathbf{6,971,992 \text{ tCO}_2\text{e}}$

⁵ <http://www.gov.scot/Topics/Statistics/Browse/Environment/Publications/EUETScap2013>

⁶ <http://www.gov.scot/Topics/Statistics/Browse/Environment/Publications/EUETScap2014>

⁷ <https://www.theccc.org.uk/publication/scotlands-path-to-a-low-carbon-economy/>

⁸ http://uk-air.defra.gov.uk/reports/cat07/1406100836_DA_GHGI_1990-2012_EmissionsData_Issue1.xlsx

⁹ https://www.theice.com/publicdocs/EUA_EUAA_Auction_Calendar_2015.pdf

Freely-Allocated Allowances

Similarly to the UK, the amount of freely allocated emissions allowances can be obtained from the NIMs¹⁰. This source indicates that the amount of freely allocated emissions allowances for Scotland in 2015 is therefore **6,057,419 tCO₂e**

New Entrant's Reserve

For the 2013 calculation, we consulted with a number of external stakeholders on the treatment of the New Entrants Reserve (NER) for the Scottish calculation; whether to adopt the UK approach which involves imputing a notional amount of NER allocation; or base the calculation on actual use of the NER. As the NER figure for Scottish installations in 2013 was in fact zero, it was agreed that imputing a notional amount lacked credibility.

The Scottish Environmental Protection Agency has confirmed that there are no new entrants receiving a free allocation of allowances in 2015. As a result, a zero allocation is carried forward in the calculation.

Summary

Table 2: Scottish EU-ETS Cap for 2015.

Component	2015 Allocation tCO ₂ e
Auctioned allowances	6,971,992
Free allocation	6,057,419
New Entrant's Reserve	0
Total	13,029,411

Part 2: Aviation Cap.

The calculation of the allocation for domestic and international aviation was described in detail in the paper describing the 2013 calculation. The aviation cap is a constant level so the 2013 allocation has been carried forward for 2014 and 2015.

The method for calculation of the domestic and international aviation cap uses data from the European Environment Agency and the Scottish Greenhouse Gas Inventory. The domestic aviation cap and international aviation cap are calculated using a similar approach to the UK's domestic aviation cap for 2013¹¹ and 2014¹².

At this time the cap is calculated using 1990-2012 inventory data for both the EEA and for Scotland. This is because the latest publicly available data for inventories outside of Scotland and the UK at the time of determining the cap (July 2015), is the 1990-2012 inventory. This may be reviewed in any future calculations of the aviation cap so that the most recent possible inventory can be used.

¹⁰https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318902/uk_national_allocation_table_phase_III_free_allocation.pdf

¹¹ <https://www.gov.uk/government/statistics/annual-statement-of-emissions-for-2013>

¹² <https://www.gov.uk/government/publications/annual-statement-of-emissions-for-2014>

Part 3: Total EU-ETS cap for Scotland, 2015

Table 3. Total EU-ETS cap for Scotland, 2015

Component	2015 Allocation tCO₂e
Fixed Installations	13,029,411
<i>Auctioned allowances</i>	6,971,992
<i>Free allocation</i>	6,057,419
<i>New Entrant's Reserve</i>	0
Aviation	1,365,013
<i>Domestic</i>	443,255
<i>International</i>	921,758
Total 2015 Cap	14,394,424

Office of the Chief Economic Adviser
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