

UK Emissions Trading Scheme Scope Expansion: Waste

CONSULTATION RESPONSE – ADEPT

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Happy for response to be published?: Yes

Consultation questions

1. Do you agree that our proposals should apply to facilities that conduct the following activities: incineration and combustion of waste, and other energy recovery from waste (including the production of fuels)? (Y/N) Please give further details to support your answer.

Yes, ADEPT supports this in principle. However we have genuine concerns that the financial burden will fall to Local Authorities who supply most of the facilities with their feedstock. If the ETS is truly to decarbonise waste then it needs to flow through to those able to influence the composition of the waste such that they decarbonise their products – this could either be achieved through a carbon levy or an EPR scheme similar to that for packaging. This aligns with the Government’s ‘polluter pays principle’, and will drive private sector investment in decarbonisation pathways.

LAs have little influence on being able to decarbonise the waste that we are responsible for, and passing ETS costs to councils will simply add to the challenge facing the nation’s public finances, whereas directing ETS costs to producers will provide a funding stream and incentivise investment in decarbonisation. If Government chooses to pass ETS costs to councils, it will need to resolve the financial challenge of funding councils to cover the volatile ETS costs without impacting on other vulnerable council services or leading to Section 114 Notices being issued.

2. Are there any technologies which we have not referenced in this section, and which would not be covered by the activities we have set out, which you think should be covered by our proposals? (Y/N) Please give further details to support your answer.

No but new technologies would need to be reviewed.

3. Do you agree that facilities that produce monomers and polymers from waste that can be used as raw materials (non-mechanical or ‘chemical’ recycling) for materials to remain in the circular economy should not be included in the scope of our proposals?

Yes

4. If yes, how should we treat facilities that produce both fuels and polymers and monomers to

be used as raw materials? (Y/N) Please give further details to support your answer.

Include, but pro-rate out the raw material production element

5. Do you have any concerns with our position not to use the 20MW thermal input threshold for inclusion in the UK ETS? (Y/N) Please give further details to support your answer.

No, it seems a reasonable threshold

6. Should an alternative threshold for inclusion in the UK ETS be explored (e.g. waste throughput capacities) or will HSE and USE status eligibility sufficiently protect smaller facilities? Please give further details to support your answer.

No

7. Do you agree that the proposed thresholds for HSE and USE status are suitable for waste incineration facilities? (Y/N) Please give further details to support your answer.

Yes

8. Do you agree that it is unlikely that smaller facilities will be developed to gain eligibility for HSE or USE Status? (Y/N) Please give further details to support your answer.

Don't know but smaller facilities tend to be much more expensive and hence it's unlikely that HSE/USE status would be a driver given the significant cost differentials.

9. If you disagree with the proposed thresholds for HSE and USE status, what alternatives would be suitable?

N/A

10. Do you agree with our position to include the incineration of hazardous and clinical waste in the UK ETS? (Y/N) Please give further details to support your answer and set out any concerns that you may have.

No. Incineration of hazardous waste generates a small fraction of overall carbon emissions; incineration is generally the required waste management option so inclusion in the ETS would serve no meaningful purpose but would add further cost to industry and further incentivise unlawful disposal of hazardous material. Given the size of these facilities & the specialist waste that has to be incinerated, they would have very little ability to decarbonise. The EU ETS has excluded these types of facilities, and the UK should do the same.

Government should recognise that the recent requirements to ensure separate handling and destruction (through incineration) of soft furnishings containing Persistent Organic Pollutants (POPs) is an unfunded additional burden on local authorities. This burden would be exacerbated by inclusion in UK ETS, and further compounded by the anticipated expansion of the classification of POPs, threatening the financial stability of councils.

11. What decarbonisation options will be available to hazardous and clinical waste incinerators and in what timescale (e.g. immediately or long-term)?

It is likely there are no viable options for the reasons given above.

12. Would the emissions monitoring methods outlined in the 'Monitoring and reporting' section be available to non-specialist incinerators also be available to hazardous and clinical waste incinerators of the same size? (Y/N) Please give further details to support your answer.

Don't know but it is likely that they should be applicable to all facilities.

13. If hazardous or clinical waste incineration was ever to be exempted from the UK ETS, is there a risk of other waste types being mislabelled as either to avoid the UK ETS? (Y/N)

Please give further details to support your answer.

Tonnages are relatively small, so abuse should be easy to spot by monitoring tonnage trends. Gate fees for these types of facilities are significantly higher than non-hazardous incineration and it's extremely unlikely that this would happen.

14. Do you agree that HSE emission targets will incentivise clinical waste incinerators to decarbonise? (Y/N) Please give further details to support your answer.

It's unlikely given these are small scale plants managing specialist wastes that generally have to be incinerated. Producers at the start of the product design process need to be encouraged to design out fossil-based contents – the impact of ETS needs to feed back to those who are able to influence design and make alternative choices.

15. Do you agree that the customers of clinical waste incinerators will be able to take action to reduce the fossil content in the waste they generate and achieve their waste reduction targets?

(Y/N) Please give further details to support your answer.

Customers may be able to influence this but it is the producers who have the ability to change their products' composition away from fossil fuel content and this is where the impact of ETS should be targeted – those who are best placed to manage the decarbonisation pathway.

16. Do you agree that the proposed approach, of adding allowances equivalent to emissions in scope per emissions trajectories aligned to the CBDP, is the appropriate approach to adjusting the cap, to ensure the emissions reductions required to deliver climate targets? (Y/N). Please explain your reasoning, including by proposing an alternative approach if appropriate.

No. The cap needs to take account of the facilities that are planned or under construction, it also needs to account for growth in housing stock which will lead to an increase in waste.

17. Do you agree with the proposed approach to adjusting the cap to account for the inclusion in the scheme of emissions from the waste incineration sector? (Y/N). Please explain your

reasoning, with reference to any alternative approaches or sources of evidence, such as on the impact of policies on the fossil proportion of emissions.

The cap needs to take account of the facilities that are planned or under construction, it also needs to account for growth in housing stock which will lead to an increase in waste. In addition there is concern that bringing EfW plants into ETS needs to be part of an overall package of waste reforms which support decarbonisation across the waste sector – however the Collection & Packaging Reforms (CPR) have yet to be implemented and yet the impact of this does not seem to have been given consideration. Including EfW plants in the ETS in isolation is not supported and should be delayed until CPR is fully implemented. The timing does not allow sufficient time to try to decarbonise the feedstock nor develop CCS. These projects require significant investment and long lead in times. In addition, the cap needs to allow for POPS and other wastes that need to be incinerated to protect the environment and human health. It needs to be recognised that these plants' primary purpose is to manage waste to protect human health with energy generation being a by-product – they are very different to other industrial processes that are already in the ETS.

18. What would you expect to be the impact of the proposed approach to cap adjustment on participants in the sector and/or the wider UK ETS market? Please explain your reasoning.

The waste sector and in particular LAs have very limited ability to decarbonise the waste that we manage and as such will have little ability to abate the emissions. Other sectors have a greater ability to decarbonise their industry. Under the current proposals, costs of ETS will be passed to LAs through our contracts and yet we will have very limited ability to manage or influence operators as to how they manage these costs – what incentive will there be for operators to mitigate costs if costs can be simply passported to customers?

19. Do you agree that it is practicable for existing regulatory requirements under the scheme, such as the compliance cycle, permit requirements, monitoring plan requirements and penalties, to apply to the waste sector? (Y/N) Please give further details to support your answer.

Don't know – there will need to be close liaison between the ETS Authority and the waste operators and their trade body the ESA.

20. Do you agree that an MRV-only period is the best way to meet the objectives of a phasing period for this sector? (Y/N). Please give further details to support your answer.

Yes. The inherent compulsion in the UK ETS proposal will undoubtedly drive change. It will also prove costly for impacted parties. In advance of the means of compliance being widely available (e.g. emissions testing, UK-wide and comprehensive plastic recycling (inc. flexible plastic) and CCS/Heat Networks), these proposals will work more like a tax. That will divert funding away from both: (i) constructive carbon-reduction activities and (ii) initiatives in support of compliance with the Collections and Packaging Reforms (CPR). This consultation document

recognises that preparedness for the successful diversion of carbon waste from EfW will take longer than two years – for example, the consultation document cites CPR delivering ‘substantial increases in recycling of target materials in England in the next ten to fifteen years’. The two-year MRV period should be lengthened to enable all stakeholders to fully and purposefully prepare for compliance. A longer MRV period could incorporate scheduled, mandatory step-ups in preparedness, followed perhaps by a marginally steeper downward trajectory on allowances, so the proposal reached broadly the same outcome for future years as is implied herein. The advantage of a longer, if more prescriptive, MRV would be to avoid system-wide financial ‘wastage’. For local government specifically, a longer MRV could help to avoid incredibly scarce financial resources being diverted, through otherwise unnecessary trading, into funding compliance in other sectors. It can’t be the purpose of these proposals to reallocate funding from local government to the private sector. That would negatively impact many other net zero initiatives and may have significant implications for a wide range of local government services. A more gradual period of introduction, appropriately prescribed and managed, could be invaluable in achieving efficiency and effectiveness. The same more optimal allocation of resources would likely be true for private sector stakeholders too, not least the operators of EfW plants.

21. How will operators and customers use any data from the MRV-only period?

If ETS costs are directly passed through to producers, through e.g. EPR schemes and/or product levies, the MRV period will give time for these to be established and for producers to put in place decarbonisation pathways including redesigning products to minimise fossil content and/or establishing closed loop recycling.

If ETS are to be passed to local authority customers, they will use this period to understand ETS costs (assuming that operators will be mandated to share this information with their customers); understand what elements of waste stream are contributing to these costs and evaluate the limited options for reducing cost exposure. Greater understanding of councils’ forthcoming ETS costs will also enable Government to better plan for funding of any cost burden that cannot be passed on to waste producers.

Local authorities will also use this period to try to resolve any contractual issues with operators that result from expansion of ETS to waste.

22. For customers and operators, will knowing expected costs earlier than full implementation provide an early incentive to reduce your exposure to the carbon price? (Y/N). Please give further details to support your answer.

Yes. Knowing expected costs will be helpful in planning how to manage them but the price volatility will be difficult to plan for given that LAs have to set a balanced budget. LAs will have limited ability to mitigate costs – we rely on householders separating out their waste for recycling but have no ability to really influence this. Enforcement options were reduced by the Deregulation Act 2015 and the previous government’s proposed statutory guidance stating that residual waste collections should be at least fortnightly do not help encourage residents to recycle their waste. Most LAs have significantly reduced or cut their waste behaviour change

budgets completely and yet nudge campaigns are needed to maintain performance. DESNZ, DEFRA and the ETS Authority need to understand that this will be a burden on the public purse with very limited ability to mitigate it.

Alternatively, directly passing ETS costs to producers will directly drive decarbonisation pathways without imposing huge financial risk and cost on public services.

23. If the MRV period is mandatory (Option 1): Do you agree that waste incineration facilities should be subject to the same MRV requirements for 2026-28 that they will be subject to from 2028 onwards (e.g. report emissions for all combustion units onsite)?

Yes MRV should be mandatory from 2026 onwards. However ADEPT remains concerned over the methods of monitoring – C14 appears to be the most accurate method but there appears to only be one lab globally that is capable of doing this. The assumption that the market will drive development of new labs is somewhat naïve especially given the lead in time to develop new labs. In addition it is unclear where these costs will lie for the MRV only period – it is likely that these will be passed down to LAs through out contracts. Waste compositional analysis will be required for pEPR so there is some synergy there but Government will need to create a standard methodology. Waste compositional analysis is expensive and inaccurate.

24. If the MRV period is mandatory (Option 1): Do you have any concerns with the requirement for all waste incineration facilities to meet MRV requirements, before applying for HSE/USE status?

Facilities should not be subject to more onerous requirements than their status requires, so HSE/USE should be determined at the start of MRV period.

25. If the MRV period is voluntary (Option 2): How likely do you think it is that operators would monitor their fossil emissions?

MRV should be mandatory such that all understand how the scheme will operate and what the costs are likely to be from full implementation. Operators are unlikely to comply on a voluntary basis due to the costs.

26. If the MRV period is voluntary (Option 2): How likely do you think it is that operators would:

a) share their emissions with customers so they are better informed about potential future costs, and

Only if customers are paying the additional MRV costs

b) share their emissions with the UK ETS Authority to inform cap decisions and evidence HSE or USE status eligibility?

Probably, but partial information through a voluntary MRV period will be inferior to full information through a mandatory MRV period and may not be measured in a comparable way to the ETS requirements.

27. Do you have any other comments on the MRV-only transitional period, and either of the options identified?

ADEPT supports a mandatory MRV period (Option 1) to deliver the objectives and benefits set out in the consultation document. ADEPT is of the view that the MRV period should be extended to allow for development of decarbonisation pathways for the fossil fuel feedstock as well as the implementation of collection and packaging reforms.

28. Do you agree that a tiered approach should be taken to monitoring and reporting requirements under the UK ETS? (Y/N). Please give further details to support your answer. Operators and the ESA need to work with the ETS Authority to determine the best approach.

29. Do you think that Option 1 would be suitable for waste incineration facilities? (Y/N). Please give further details to support your answer.

Don't know

30. Do you agree with our estimations in Figure 4 on how the available emissions monitoring methods for the sector could correlate with the uncertainty ranges for each tier in Option 1? (Y/N). Please give further details to support your answer.

Don't know

31. Do you think that Option 2 would be suitable for waste incineration facilities? (Y/N). Please give further details to support your answer.

Don't know

32. What approach (e.g. national, regional or installation specific) should be taken to the development of default calculation factors for smaller installations? Please give further details to support your answer.

This needs to be determined by the ETS Authority working with operators and the ESA. However any method needs to balance accuracy against practicality. In addition consideration will need to be given to how to apportion costs between customers who may be delivering different fractions of fossil based waste.

33. On which aspects of the policy should we produce guidance, either for operators, their customers, or both? Please explain your reasoning.

The scheme needs to incentivise or identify credible decarbonisation pathways, and demonstrate ‘polluter pays’ linkage so the financial incentive drives intended outcomes. The terminology around ETS needs to be simplified such that customers understand what waste is fossil-based and what isn’t – there is little public understanding of the term biogenic. In addition, we have yet to see the Impact Assessment of this policy and in particular the additional financial burden that it will place on LAs if costs are passed to them.

34. How should we seek to test any guidance either for operators, their customers, or both?

Please explain your reasoning.

Use local authority waste networks, including ADEPT as well as the ESA and CIWM.

35. To what timescale should guidance on different aspects of the policy, and for different audiences, be produced? Please explain your reasoning.

Given this is proposed to be implemented from January 2026 engagement needs to start as soon as possible.

36. Do you expect waste incineration gate fees to become more expensive than landfill or export as a result of UK ETS expansion? Is this expectation the same for all material types and regions? Please provide evidence to support your answer.

Yes. The analytical document accompanying this consultation shows the potential increase. This is an additional cost on incineration and it is likely that this will make incineration more expensive than landfill or RDF export unless steps are taken by Government to prevent this either through the LFT escalator and an export tax.

37. If waste incineration gate fees were to become relatively more expensive, with consideration of non-price factors when taking waste disposal and management decisions, how significant is the risk that waste is, in practice, diverted back down the hierarchy to landfill or export?

ADEPT is aware that there are existing commercial arrangements in which EfW is already marginally more expensive than landfill (a significant contributor being high inflation over recent years). ETS will increase and/or exacerbate that. We can foresee councils being conflicted in this area. ETS will represent a cost beyond waste budgets and will inevitably impact corporate local authority budgets. More fully formed proposals (herein) would facilitate net zero as an inevitable and sustainable outcome, without inadvertent, though wholly foreseeable, outcomes, such as a reversion to landfilling, being prompted. These proposals do not need to forge ahead of ready pathways for ‘carbon’ waste to be diverted from EfW. They should accompany one-another. There is no reluctance to support net zero, within local government, but local authorities will be poorly served if they – unfinished sentence!

Most LAs have waste strategies in place to manage waste as high up the waste hierarchy as possible. However LAs are under significant financial pressure and hence it is possible that they would need to reconsider their disposal methods should landfill become cheaper than energy recovery. Government needs to put in place fiscal measures to ensure that this scenario does not arise. Commercial waste however will end up in the cheapest means of disposal.

Passing ETS costs directly to producers for the incineration of their products would remove the tension between disposal cost and the waste hierarchy, by avoiding directly increasing the gate fee for incineration vs landfill.

38. Considering possible benefits and challenges that could arise, do you think that further UK ETS expansion to landfill should be explored as a mechanism to protect against the diversion of waste from waste incineration to landfill? (Y/N) Please give further details to support your answer.

No. As above, these ETS proposals need to incorporate ready pathways for carbon waste to be diverted from EfW at the commencement of compliance requirements (rather than several years hence). That will prove to be the best channel through which to continue the reduction of the use of landfill in waste disposal. In addition emissions from landfill sites are largely biogenic – ETS does not and should not include landfill.

39. Do you think alternative options to manage the landfill risk should be explored? If so, please give further details on which options and why.

The best option is to ensure that ETS does not act as a tax but, instead, is linked to and accompanied by ready and practical decarbonisation pathways, so that the value of diverting carbon waste is always recognised. In addition fiscal measures need to be in place to ensure that this risk does not materialise.

40. Do you think that either of the approaches outlined above to address landfill risk would give rise to unintended consequences? (Y/N) Please give further details to support your answer.

Landfilling of inactive waste (e.g. plastic) could be classed as carbon capture and storage. If so, inclusion of landfill within ETS could result in a double financial incentive to landfill certain wastes, avoiding ETS costs from incineration and generating ETS revenue from landfill capture. DESNZ should consider carefully if this is a desirable outcome/intended consequence.

Prices for disposal need to remain comparable such that landfill remains affordable for when it is the method of last resort.

41. What would be the most effective approach to mitigate the risk of waste being diverted from waste incineration to RDF/SRF export? Please give details to support your answer.

Introduce a RDF/SRF levy at marginally higher price than UK compliance. Another reason to move away from market price ETS mechanism for waste. Many of the export markets for RDF/SRF are within the EU so should be covered by the EU ETS and as such this risk is unlikely to materialise if the UK ETS is comparable to the EU ETS – Government will need to ensure that UK EfW plants remain competitive.

42. Do you think that limiting the number of RDF/SRF export permits/licenses issued would be an effective mechanism to reduce the risk of waste diversion from waste incineration to export abroad? (Y/N) Please give further details to support your answer.

No. Exports for RDF/SRF would presumably be captured within equivalent ETS schemes, abroad. Export may be needed in certain circumstances, such as business continuity or free trade. Some LAs rely on export contracts and this limitation would impact detrimentally on their ability to manage their residual waste in a cost-effective manner.

43. Do you think that a permitting/licensing charge on RDF/SRF exports would be an effective mechanism to reduce the risk of waste diversion from waste incineration to export abroad?

(Y/N) Please give further details to support your answer.

No – for the reasons given the EU & UK markets should be balanced if the UK ETS aligns with the EU ETS and this would appear to be unnecessary.

44. Would a fixed or variable charge be most effective at managing this risk? Please give further details to support your answer.

Variable charges are difficult to budget for.

45. If we were to proceed with the development of a variable charge rate:

a) Would it be sufficient for the charge rate to reflect the UK ETS carbon price?

ADEPT would support this if the price was fixed – variable charges are difficult to budget for particularly by LAs

b) Will consideration need to be given in the charge rate calculation to the carbon price

(if any) in the destination country to which RDF/SRF exports are bound?

The UK Government may not need to levy additional charges if the ETS schemes are aligned. If not then this will need to be looked at to ensure that UK EfW plants remain competitive.

c) How frequently will variable charge rates need to be updated?

Frequently enough to adjust to the market but also some price stability will be needed. The ETS Authority will need to determine this.

46. Do you think that alternative options to manage the RDF/SRF export risk should be explored? (Y/N) If so, please give further details on which options and why.

There is so much uncertainty around how the scheme will be implemented and the potential unintended consequences that ADEPT would advise that these are looked at once we have further clarity.

47. Do you think that any option to address RDF/SRF export mitigation risk could give rise to unintended consequences? (Y/N) Please give further details to support your answer.

There is so much uncertainty around how the scheme will be implemented and the potential unintended consequences that ADEPT would advise that these are looked at once we have further clarity. However it is extremely likely that there will be unintended consequences due to the complexity of the waste market and the variables impacting on the scheme

48. Do you agree with the decarbonisation pathways for waste incineration facilities detailed above? (Y/N) Please give further details to support your answer, including information on the ability of local authorities and/or waste incineration operators to undertake the decarbonisation pathways detailed. Please also provide any information on additional decarbonisation activities or pathways that are available to local authorities and/or waste incineration operators.

No. As recognised by the consultation a significant proportion of the EfW facilities in the UK have local authority residual waste anchor contracts and it is expected that the majority of these contracts will be impacted through QCiL clauses. Local authorities manage around 12.8 million tonnes of residual waste each year with over two thirds of this currently processed at EfWs.

There remains uncertainty on the implementation of the inclusion of EfW; while it is hard to be certain current estimates are that if ETS costs are passed to Local Authorities this will total £0.5 - £1 billion per year, at least initially. Whilst this provides significant financial incentive to decarbonise it needs to be considered in the context of the current challenges facing local authorities. Some LAs have already issued S114 Notices and others are facing similar scenarios.

ADEPT welcomes the Government's intention to pass ETS costs associated with fossil-based packaging waste onto producers via the packaging Extended Producer Responsibility (pEPR) scheme – in line with the 'polluter pays principle' (one of the key principles listed in the Environment Act (2021)) and providing some clarity on how expansion of ETS to waste will drive change and link to circular economy aspirations. Producer Responsibility has already been adopted for Waste Electrical & Electronic Equipment (WEEE), and WEEE EPR also needs to incorporate ETS cost pass through. The Resources and Waste Strategy (2018) s11.4 committed to "invoking the polluter pays principle and harnessing the potential of EPR for other waste streams", identifying textiles and bulky waste (incl mattresses, furniture and carpets) as priorities. ADEPT considers that EPR schemes for all these materials need to be in place by the time the ETS comes into full effect for waste (i.e. 2028). In addition, ADEPT suggests that EPR

should be applied to Absorbent Hygiene Products (AHP, i.e. disposable nappies and continence wear) by the same date, and to have the same positive impact.

Directly passing ETS costs to producers, through EPR schemes or product levies, represents the only Decarbonisation Pathway that doesn't incur additional public sector cost, and that directly incentivises a reduction in fossil carbon consumption.

The impact of the CPR has the potential to divert some fossil-based waste away from the residual feedstock. However the success of this will rely on markets for the materials collected – currently these are very limited for some materials including plastic films. In addition residents will need to play their part but there seems little appetite currently to ensure that they do either through Government funded behaviour change campaigns or measures such as reduced residual collections which have been shown to be effective in reducing waste and driving up recycling.

It needs to be recognised that LAs have very limited ability to decarbonise the waste that we manage and this is why ETS needs to be aimed at those that do have the ability to change their product design to reduce fossil fuel content.

49. Do you have any evidence on the costs, savings and potential profits that could be generated from decarbonisation technologies such as CCS and heat networks? (Y/N) If yes, please provide further details. We would particularly welcome evidence for the whole contractual period and/or lifetime of the facility.

No

50. Please provide any comments on cost savings from decarbonisation technologies such as CCS and heat networks and whether these will be passed back to customers, including local authorities.

CCUS is still in the research and development phase in the UK – it is naïve to think that it will be available to most EfW plants by 2028 and it is not and may never be a viable option for many facilities. Beyond 2028, for those facilities that have a shorter useful life or limited contract years remaining it will not be cost effective to install either CCS or a heat network – the business case will simply not stack up. In addition there needs to be a demand for heat and this is not always the case. However there are facilities that do drive heat networks and their contribution to decarbonisation needs to be recognised potentially either through an exemption from ETS or free carbon credits.

51. Do you agree there is a need for guidance on decarbonisation for local authorities and waste incineration operators? (Y/N) Please give further details to support your answer, including any information on the type, form and content of guidance needed.

Yes. If Government intends to pass ETS costs to local authorities, it needs to identify credible decarbonisation pathways for all local authority waste streams subjected to ETS costs (i.e. not just end of pipe CCUS solutions). Alternatively, passing ETS costs to producers will directly incentivise them to develop those decarbonisation pathways.

Guidance on what information operators should be sharing with their customers would be helpful along with its format particularly with their LA customers.

52. Beyond the mechanisms listed above, are there any other mechanism(s) you would recommend to support local authorities to decarbonise? (Y/N) Please give further details to support your answer, including any information on the type of support mechanism(s) recommended and details on the type of materials that may fall outside the scope of the proposed support mechanisms detailed above.

Hypothecate ETS income to fund waste decarbonisation pathways. For waste streams where EPR is not readily applicable introduce a mandatory biogenic carbon requirement and/or fossil carbon levy which can be used to cover ETS cost pass through.

It needs to be recognised that LAs have very little control over the wastes that we have to manage as part of our statutory duties. ETS needs to apply to those who are best able to influence the fossil content of the products that they produce. The current proposals for levying ETS on waste do not do this.

53. Do you think that sampling (e.g. MRF requirements) would be an effective approach for supporting accurate cost pass through from EfW operators to customers? (Y/N) Please give further details to support your answer.

Yes. Sampling must be directed at two things, both implied in the question: (i) a pass through of costs that reflect per source variability in waste inputs, and (ii) a pass through of costs which accurately reflect only legitimate and necessary costs borne by the operator.

This question makes a link between ETS and EPR. For waste that falls within both EPR and the carbon waste element of ETS, 'customer' must refer to the Producers of that material. Any other arrangement would represent an avoidable imbalance in risk share between Producers and local authorities (or other non-Producer parties). In the case of local authorities, income from recycling such waste will be 'netted-off' within EPR, meaning that income is assigned to the Producers (even where a local authority has made, in good faith, contractual undertakings on earnings). It is wholly inappropriate therefore to assign the upside for this material to the Producers, within EPR, whilst assigning the downside costs for the same class of materials, to local, authorities (or other non-Producer parties) via ETS. It is important that the term 'customer' is appropriately defined to reflect this point.

54. Do you think that the outlined sample analysis techniques (e.g. manual sorting, selective dissolution, and carbon-14) would effectively support accurate cost pass through? (Y/N)

Please give further details to support your answer.

ADEPT recognises that there are benefits and challenges to each of the different methods outlined. Waste compositional analysis is required for pEPR and it would be helpful if an agreed methodology could be produced which can be used for both pEPR and ETS.

The use of default calculations raises a number of concerns as flagged in the consultation document that may not drive the behaviours that are being sought as a potentially reduced driver to decarbonise particularly as it may not accurately reflect those that have sought to decarbonise their waste inputs .

Carbon 14 analysis is unlikely to be a viable solution, certainly in the short term given the limited labs available to undertake this work.

We are concerned that the cost associated with delivering these techniques will end up being passed through to LAs through our contracts.

55. Do you think that alternatives to sampling, including default calculation factors, should be explored? (Y/N) Please give further details to support your answer.

ADEPT believes that all options need to be considered. Any methods used need to be fair and transparent to ensure that those who do seek to decarbonise their waste inputs benefit from the efforts that they have made. In addition it needs to be ensured that LA contracts do not pick up more than their fair share of the costs and that operators do not try to offset their commercial customers liabilities to keep their gate fees competitive

56. Do you think that a phased approach to the development of a cost pass through mechanism would be a practical way to proceed? (Y/N) Please give further details to support your answer.

Yes. The MRV period could be used to inform and develop how this mechanism could work.

57. Do you consider that the application of the UK ETS to waste incineration will lead to any impacts for any groups with protected characteristics under the Equality Act 2010? Do you consider there to be any further equality considerations? Do you consider any elements of the UK ETS expansion to waste incineration could be designed to advance equality of opportunity and/or foster good relations? Please explain your response, providing evidence where possible.

Yes. As proposed, the Scheme's forecast extreme impact on local authorities will inevitably lead to cuts to essential public services that are provided to those with protected

characteristics under the Equality Act and others. Current estimates are that ETS will cost Local Authorities in the UK between £0.5 - £1 billion at least initially; a massive cost pressure on already stretched budgets.

Call for Evidence on Heat Networks

58. Do you agree that the UK ETS should be used to support heat offtake through the ETS?

(Y/N) Please outline your reasoning and provide evidence to support your views.

Yes. Heat offtake from a EfW facility increases its efficiency as well as using wasted heat. Heat offtake improves the amount of energy being used for a given amount of carbon emissions.

59. Do you have a view on what incentive mechanism (e.g. free allowances, subtraction of a number of allowances from the UK ETS obligation, etc.) would work best to encourage the export and utilisation of heat? (Y/N). Please provide as much detail as possible to support your answer.

A facility's UK ETS obligation should be reduced to reflect the net fossil carbon saving that its heat offtake provides (e.g. avoided gas heating systems). However these benefits need to be passed onto those who have invested in developing the heat networks which tend to be LAs and not the operators.

60. Do you think that policies to incentivise heat offtake should apply to surplus or waste heat, as well as heat produced for the purpose of export? (Y/N). Please provide as much detail as possible to support your answer.

Yes

61. If an incentive is provided, how should the level of incentive be determined e.g. should it be linked to emissions that are offset by exporting heat, the volume of emissions associated with the production of heat, etc.? (Y/N) Please provide as much detail as possible to support your answer.

It should be linked to the emissions that are offset by exporting heat. Developing heat networks is expensive particularly if it is retrofit. There is an argument that money raised through ETS should be used to support the development of new heat networks where there is a demand for them & the ability to deliver them – land and willing developers being just two requirements.

62. Do you have a view as to whether incentivising heat offtake through the UK ETS could have any perverse consequences? (Y/N). Please provide as much detail as possible to support your answer

No. It seems unlikely.