

# North Yorkshire Council

## Environment Executive Members

12 July 2024

### HM Government consultation on UK Emissions Trading Scheme Scope Expansion: Waste

#### Report of the Assistant Director – Environmental Service and Climate Change

#### 1.0 PURPOSE OF REPORT

- 1.1 To inform the Corporate Director Environment and Executive Member for Managing our Environment of the further Government consultation on the UK Emissions Trading Scheme Scope Expansion: Waste
- 1.2 To seek approval for the response to the above consultation (included at Appendix A) on behalf of the Council to be submitted.

#### 2.0 BACKGROUND

- 2.1 The UK Emissions Trading Scheme (UK ETS) was launched in January 2021 following BREXIT. In March 2022, the Government issued a consultation called Developing the UK Emissions Trading Scheme. The UK ETS is a cap-and-trade scheme with an annual reduction in the allowances cap to assist with achieving the UKs decarbonisation targets.
- 2.2 A report was brought to Executive Members on 27 May 2022 detailing the Councils response to the initial consultation, which included proposals to include Energy from Waste (EfW) facilities within scope of the UK ETS.
- 2.3 The Government published its response in July 2023 stating that EfWs would be included in the UK ETS from 2028 with a two-year lead in period from 2026 for Monitoring, Reporting and Verification (MRV) activities.
- 2.4 On 23 May 2024, a further consultation on the UK ETS scope expansion to include waste was issued. This consultation provided some additional detail following the 2022 consultation exercise and included a Call for Evidence on incentivising heat networks. The consultation closes on 02 August. Our proposed response to the consultation is attached at appendix A of this report. This response is still in draft at the time of this report and will be finalised once responses from other waste industry bodies/network groups and experts are shared.

#### 3.0 KEY IMPLICATIONS OF THE CONSULTATION

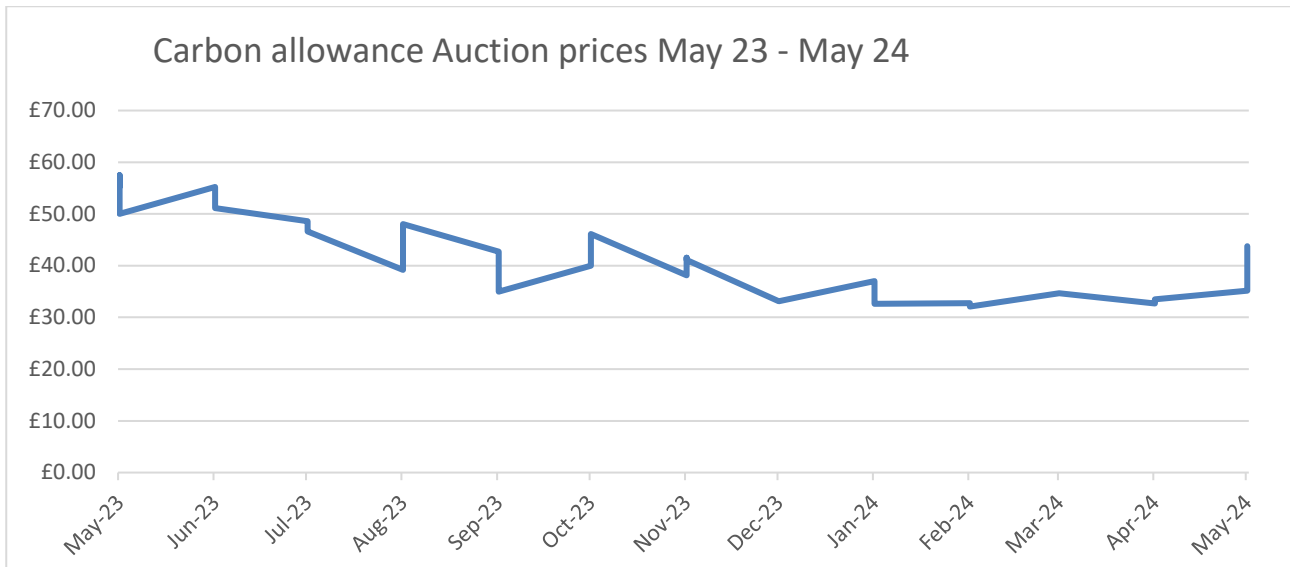
- 3.1 The consultation covers incineration, combustion of waste and energy recovery from waste. Hospitals, small emitters, and ultra small emitters (which emit less than 25,000 or 2,500 tonnes respectively of fossil CO<sub>2</sub>e per year) may be excluded from the scheme following the MRV period. There are no proposals to exempt incineration of any type of waste including clinical or hazardous waste from the scheme.

- 3.2 Persistent Organic Pollutants (POPs) are organic compounds that are resistant to degradation through chemical or biological processes. The Environment Agency has designated incineration as the method of treatment of these materials. AWRP currently shred and incinerate materials which may contain POPs (primarily waste upholstered domestic seating). The Government state they are considering the implications of their position around hazardous waste being included with the ETS. We believe that fossil carbon emissions arising from the treatment of POPs should be exempt from the UK ETS at this time, as there are currently no viable alternative treatment methods for this waste stream other than incineration.
- 3.3 Inclusion of EfW facilities within the UK ETS includes a two-year Monitoring, Reporting and Verification period between 01 January 2026 – 31 December 2027 to enable facilities to establish likely emissions, verify data and forecast required allowances prior to having to purchase any allowances from 01 January 2028.
- 3.4 The consultation states that operators will need to appoint an independent verifier to submit their annual emissions reports required under the scheme. It also states that if the operator fails to surrender sufficient allowances to cover reportable emissions by a certain annual deadline there will be penalties calculated as £100/allowance multiplied by an inflation factor.
- 3.5 The consultation document considers several options for how fossil emissions could be monitored to inform emissions data. The method which has been deemed as the most likely to be suitable for a facility the size of AWRP is flue gas sampling and analysis. The consultation does not determine the type of monitoring equipment but acknowledges there will be installation and operating costs associated with monitoring activities. The costs and contractual implications of compliance with the UK ETS including requirements of the MRV period are considered further in sections 04 and 05 of this report.
- 3.6 The Government wants to ensure that including EfW operators within the UK ETS will not move waste down the waste hierarchy resulting in either increased landfill (due to this being cheaper than the purchase of carbon allowances) or export of waste.
- 3.7 Landfill tax is currently set annually, and the consultation makes reference to a review of how landfill tax rates will be set from 2028, as carbon allowance prices change fortnightly at auction. The consultation also considers options for either an export tax or licenses/permits for tonnage exported abroad for treatment to mitigate the risk of carbon leakage.
- 3.8 The Government wants to encourage investment in decarbonisation pathways to help towards achieving net zero targets. There are a number of environmental policies including packaging reforms, introduction of the Deposit Return Scheme, Simpler Recycling, Extended Producer Responsibility and the Plastic Packaging Tax which aim to reduce the amounts of fossil plastics in the waste stream in the future. We have suggested that it would be preferable for these policies to be fully implemented prior to EfW being included in the ETS.
- 3.9 The consultation acknowledges the need to accelerate deployment of Carbon Capture technologies and associated funding streams across the waste sector in order to encourage investment in decarbonisation activities. The consultation also considers linking the costs of the UK ETS to the Extended Producer Responsibility scheme, to enable cost recovery by local authorities for fossil carbon emissions where incineration is considered an appropriate method of disposal for in scope packaging materials. This approach is welcomed and could help to mitigate the costs of the scheme for local authorities.

- 3.10 AWRP currently treats waste from third parties as well as local authority waste, and under the UK ETS, carbon allowance costs will be passed from the operator to the customer. The consultation is seeking views on sampling regimes to best establish the fossil content of input waste so that costs can be apportioned fairly and customers are incentivised to reduce the amounts of fossil plastics in their waste stream. Once a preferred option has been identified, guidance will be produced.
- 3.11 The final part of the consultation is a call for evidence around linking the UK ETS and heat networks to consider opinions around mechanisms to remove barriers and incentivise utilisation of waste heat from EfW where possible.
- 3.12 In January 2023, the waste team submitted a bid for funding from the Net Zero fund (administered by the Combined Mayoral Authority) to undertake a feasibility study to identify options to decarbonise AWRP. In April 2024, NYC awarded a contract to Ricardo AEA who are reviewing heat offtake, carbon capture (usage/storage) and production of hydrogen options. It is hoped that the initial study (due to be published in the Autumn) will identify a preferred option which could then be subject to a more detailed techno/economic study.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are no financial implications for NYC arising specifically from responding to the consultation.
- 4.2 The financial implications for NYC for the inclusion of EfW facilities within the UK ETS are likely to be significant. It is expected that the proposed changes would lead to increased costs for AWRP and some of these costs are likely to be passed on to the Authority through the Change in Law provisions within the Waste PPP contract.
- 4.3 As mentioned in para 3.10, the UK ETS and Extended Producer Responsibility consultations are being linked to ensure the costs of carbon are covered with any EPR payments to local authorities. Government intends to carry out a New Burdens Assessment to calculate potential impacts of including EfW in the ETS for local authorities, however this could be contingent on local authorities undertaking activities to decarbonise waste activities.
- 4.4 Examples of activities where contractual costs may be passed to the authority include:
- Developing monitoring reports and appointment of an independent verifier
  - Purchase, installation, calibration and ongoing opex costs associated with the carbon emissions monitoring system.
  - Administration of the scheme including submitting reports and purchasing/surrendering allowances annually.
- 4.5 Carbon allowances are traded fortnightly on the marketplace. The graph below shows the carbon auction prices between May 2023 – May 2024 (ranging from £32.10 to £57.50 per allowance). An allowance price of £32.10 would add just over £4m to the 2024-25 AWRP gate fees if all costs were required to be met by the local authority (and no New Burdens funding or EPR payments were available).



4.6 A further report will be brought to Members setting out the financial implications for the Authority once more information is known about the ETS.

## 5.0 LEGAL IMPLICATIONS

5.1 NYC have yet to undertake a detailed legal review of the implications of EfW facilities being included in the UK ETS, however, there could be significant contractual and operational impacts including:

- Whether the changes proposed under the UK ETS could be considered as a Qualifying Change in Law which was not foreseeable at the time of Financial Close (October 2014). Changes to the AWRP contract would require engagement with external financial, legal and technical advisors and depending upon the scale and timeframe of the change, these costs could be significant.
- Reporting requirements and Environmental Permit – it is not clear whether any variations to the Environmental Permit would be required for AWRP and what the monitoring, reporting and verification obligations of the UK ETS would be.

## 6.0 EQUALITIES IMPLICATIONS

6.1 There are no significant equalities implications arising from this report.

## 7.0 CLIMATE CHANGE IMPLICATIONS

7.1 A Climate Change Impact Assessment has been completed (at appendix B of the report) which concluded that a detailed assessment on the contractual and operational implications for AWRP would need to be undertaken once further detail is available about the Scheme.

## 8.0 CONCLUSIONS

8.1 NYC is supportive of decarbonisation of the economy overall, however there are currently several environmental policies and consultations which will need to be aligned and will significantly impact the composition and treatment of waste in the future.

8.2 It is proposed that through the consultation responses we raise key areas for consideration such as how outcomes from the Extended Producer Responsibility Scheme, Deposit Return Scheme and Plastics Packaging Tax could help drive out our reliance on fossil-based plastics to mitigate the costs associated with purchasing carbon allowances.

## **9.0 RECOMMENDATION**

- 9.1 It is recommended that the Corporate Director Environment in consultation with the Executive Member for Managing our Environment approve the attached responses to the UK Emissions Trading Scheme Scope Expansion: Waste consultation.

### **APPENDICES:**

Appendix A – Draft Consultation responses

Appendix B – Climate Change Impact Assessment

**BACKGROUND DOCUMENTS:** Executive Members UK ETS report 27 May 2022

Michael Leah  
Environmental Service and Climate Change  
County Hall  
Northallerton  
12 July 2024

Report Author – Lisa Cooper Commercial Manager (waste)  
Presenter of Report – Lisa Cooper Commercial Manager (waste)

**Draft Consultation Responses**

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, providing that other policy decisions are implemented to reduce the cost burden on Local Authorities such as Deposit Return Scheme (DRS) and Extended Producer Responsibility (EPR). The EPR scheme should be designed to pass on the costs of the ETS to the producers of the fossil plastic material that ends up in the waste stream. It is disproportionately unfair to pass on the costs of the scheme to Local Authorities who invested in long term waste treatment technologies to drive material away from landfill.

If the burden of administering the scheme falls to the operators of EfW facilities, the costs of compliance is likely to result in a Qualifying Change in Law claim to Authorities with either long term PFI or PPP contracts. New burdens funding should be made available to Authorities to cover costs of these claims.

Local authorities face unique challenges compared to commercial sector operators, particularly in waste management. Unlike private companies, local authorities cannot selectively refuse waste collections based on their composition or the complexities involved in processing. Local authorities are legally obligated to collect all types of waste from all residences, including from those individuals who do not participate in recycling schemes. This compulsory service requirement limits the strategies local authorities can employ to minimise the financial impact of the ETS on their operations. While commercial operators may choose to handle only certain types of waste that are less costly or easier to manage, local authorities must deal with the entire spectrum of waste, including materials that are difficult and expensive to process, consequently facing higher operational challenges and financial burdens under the ETS.

2. 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, fossil carbon emissions produced incineration of POPs materials should be exempt from the scheme as the EA has determined that there is no alternative source of treatment other than incineration currently.

The list of materials classed as POPs is increasing and there will be a requirement to shred and incinerate more volume of materials.

If there is no intention to exempt POPs processing from the ETS, then the Extended Producer Responsibility Scheme should be amended to ensure that costs of the ETS are covered by producers and not local authorities/tax payers when materials have to be disposed of.

The lack of hazardous and clinical waste disposal alternatives could result in disproportionate financial burdens on Local Authorities. It is crucial to consider these unintended consequences to ensure that the ETS achieves its objectives without placing undue strain on essential public services.

Local Authorities are limited in their ability to influence consumer behaviour and are not responsible for producing products or packaging which requires disposal at end of life.

3. 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.

No - Customers of clinical waste incinerators, such as local authorities, are not able to significantly influence the type or amount of clinical waste generated. Healthcare providers and other institutions that produce this waste during their operations drive the generation of clinical waste. As such, it is unfair and unreasonable to place the burden of reducing the fossil content in clinical waste on the collectors. Local authorities and other waste collectors cannot control or alter the nature of the waste they collect. Their role is primarily to manage the disposal of waste generated by others. While they can advise and guide customers on waste reduction, the actual generation of clinical waste remains outside their control.

Moreover, many products that contribute to the fossil content in clinical waste lack viable alternatives. Without alternative products that contain fewer fossil fuels, customers and collectors cannot be expected to make substantial changes to the waste composition. Therefore, the responsibility for reducing the fossil content in clinical waste should lie with the producers of these products, who can innovate and offer more sustainable options.

4. 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.

Three central waste policies are currently being implemented under the Collection and Packaging Reforms (CPR): Simpler Recycling, Extended Producer Responsibility (EPR), and the Deposit Return Scheme (DRS). While these reforms aim to improve waste management and recycling rates, substantial challenges and potential conflicts may hinder their effectiveness.

Under the Simpler Recycling policy, the government mandates the separate collection of dry materials in England, including those with high fossil fuel carbon content such as plastic bottles, pots, tubs, and trays. However, the policy also encourages more frequent collection of residual waste. Evidence shows that more frequent residual waste collection reduces consumers' willingness to participate in recycling services, leading to a lower capture rate of plastics for recycling. This results in additional high fossil fuel carbon material within the residual stream, undermining local authorities' ability to decarbonise and increasing their financial impact from the ETS.

Discussions should be held between DENEZ and DEFRA to address these conflicting policies. While the EPR policy positively impacts recycling, it does not encourage waste minimisation or reuse. The focus should be on the top of the waste hierarchy, making incineration a last resort. Although more packaging will theoretically become recyclable, the service design - to allow more frequent residual waste collections - does not actively support consumer engagement with recycling. Additionally, the DRS has been delayed to October 2027, leaving a short period for consumers to adapt to the system before applying ETS to Energy from Waste (EfW). This delay will likely result in higher levels of plastic drink containers within local authority waste streams, including residual waste, street bins and litter, than if the scheme had been implemented sooner.



The absence of a textiles EPR significantly hampers the ability to manage textile waste effectively, leading to increased carbon emissions and financial burdens under the current proposed ETS.

5. 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.

The scheme year runs from 1 Jan – 31 December each year. The Contract year (and Local Authority fiscal years) run from 1 April – 31 March. Contractual and budget reporting will have to cover 2 separate years from the Authority point of view which will need to be effectively managed to ensure that ETS reporting and allowance surrender deadlines are met and any potential penalties avoided.

6. 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 MRV – only period will enable operators to forecast the amount of fossil carbon emissions and likely number of allowances required from 1 January 2028, however the costs and monitoring technologies are not clear from the consultation.

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

To facilitate effective forecasting of the number of allowances required to comply and forecast future costs. Also, it could help to potentially inform investment decisions around alternative decarbonisation options.

8. 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.

As previously stated, Local Authorities are responsible for the treatment/disposal of wastes but have little influence on consumer behaviour. Understanding the fossil carbon content of emissions will provide an indicator of future potential costs, however the carbon allowances are traded fortnightly at auction (or traded on the secondary market) and prices can vary depending upon a number of factors outside of the Authority's control. This means that whilst we may have an indication for the number of allowances required for a given year, the costs would still be difficult to forecast.

We are supportive of the ESAs proposals to have a fixed carbon allowance price for the first 2-3 years of EfWs participating in the scheme to enable adequate budgetary forecasts to be created.

Implementation of other policies such as DRS and Simpler Recycling will potentially have a significant impact on composition on waste which could materially impact carbon emissions associated with the EfW.

9. 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)?



In order for facilities to report their emissions, they will need to have appropriate monitoring equipment. It is not clear which methods the consultation is suggesting that operator use, although the document seems to favour flue gas sampling for larger operators. This would need to be procured, installed and calibrated and the operator would need to have an approved monitoring plan in place prior to 1 January 2026, which could be difficult to achieve depending on when the outputs of this consultation are published. Costs associated with this would be likely to be passed onto the local authority.

It may be more likely that operator could fully comply with the MRV requirements from January 2027 for one year prior to the scheme becoming fully operational.

10. 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?

Yes – see response to q nine.

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

We would prefer to see a mandatory compliance system in preparation for implementation in 2028

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

- Approach to MRV and specific reporting requirements for the monitoring plan
- Purchase and surrender of licenses processes, timeframes, and reporting deadlines.
- Cost apportionment between multiple customers at a single EfW where a local Authority has an anchor contract.
- Pass through costs proposals for local authorities.

13. How should we seek to test any guidance either for operators, their customers, or both? Please explain your reasoning.

Provide to a group of waste sector operators, the ESA and EfW customers including local authority groups such as NAWDO, LARAC and Adept for comment to understand impacts of the scheme and areas where guidance is required.

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

Guidance should be being produced now, as there is not much time between the end of the consultation period and start of the MRV period on 01 Jan 2026.

15. 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.

Under the UK ETS, gate fees at EfW would be linked to the carbon allowance price which is determined at fortnightly auctions (and secondary trading on a daily basis). An increase at auction of prices may well result in higher gate fees as landfill tax is set annually. No indication has been given around how landfill tax will be set once

EfWs are included in the UK ETS in the consultation other than it will be 'kept under review'.

The government have previously consulted on a near elimination of biodegradable waste from landfill, but have not issued their response as yet. Potential landfill bans could impact the price of landfill in the future.

We are supportive of the ESAs proposals to have a fixed carbon allowance price for the first 02-03 years of EfWs participating in the scheme to enable adequate budgetary forecasts to be created.

16. 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?

Potentially very high. One way to potentially mitigate more material being exported 'cheaply' would be to include some form of border adjustment mechanism so that the higher rate of carbon allowance would be paid for. There may be potential for increased fly-tipping or illegal disposal of waste which could also increase potential land and water pollution.

17. 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.

The government must support the higher levels of the waste hierarchy—prevention, minimisation, and reuse—alongside recycling and disposal. Including landfill within the ETS, the cost of sending residual waste to landfill would align with the cost of sending it to EfW. This would remove any financial incentive for local authorities to opt for landfill over EfW purely based on cost.

18. 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.

There may be potential for increased fly-tipping or illegal disposal of waste which could also increase potential land and water pollution.

19. 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.

Ensuring that the export price included the highest level of carbon tax (whether that be from the country of origin or where the material would be processed)

A combination of regulatory measures, a tax or ban on exports, would need to be considered in the broader context of whether there is the necessary infrastructure for dealing with all UK local authority waste and recycling within the UK, including EfW and recycling plants.

20. 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.

Yes – but we need to ensure that if we are potentially collecting other types of material for recycling, that the markets are sufficiently well developed for us to access.

Inclusion of EfW within the UK ETS should be delayed until other policies such as DRS and Simpler Recycling have been fully implemented.

21. 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.

Potential for revenue generation through the use of Carbon Capture and Storage (CCS) on flu towers - there is currently an ongoing consultation to include CCS as a mechanism to comply with the EU and UK ETS. Further credits created by this method can be sold on the Voluntary Carbon Market

22. 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.

Consultation needs to be clear how CCS will be handled alongside EfW - will use of CCS lead to zero rating (no allowance purchase requirement) the associated emissions. This is inline with the use of Sustainable Aviation Fuel (SAF) in the aviation industry - the use of SAF leads to zero rating the associated emissions and therefore a cost saving on the ETS

23. 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 – guidance around options, costs and likely impacts for decarbonisation activities, capacity and knowledge of ETS market.

Training events could be organised for LAs who need to comply with the ETS.

Information on available grants, subsidies, and other financial support mechanisms for decarbonisation projects. Recommendations for policy changes that support decarbonisation efforts, including adjustments to residual waste collection policies.

24. 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.

Local authorities need significant funding to implement communications and behavior change projects aimed at addressing decarbonisation. They also require the support of the Scheme Administrator as part of the Extended Producer Responsibility (EPR) scheme to cover the costs associated with fossil fuel carbon packaging.

Several additional materials fall outside the scope of the packaging EPR and are challenging to reduce in the residual waste stream. These include textiles, absorbent hygiene products (AHP), and soft furnishings containing Persistent Organic Pollutants (POPs). Despite having options for reuse and repair, textiles often end up in the residual stream, despite campaigns to ask residents to always recycle. AHPs have limited alternatives and are non-recyclable, necessitating their disposal in the residual stream.

The regulation requiring soft furnishings containing POPs to be incinerated restricts local authorities' ability to mitigate their impact. Other non-packaging plastics, such as toys, garden furniture, and polystyrene, are also challenging as they are difficult to manage within the existing waste streams.

25. 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.

Yes, as this would be specific to the LA waste stream and enable fossil carbon content to be more accurately identified.

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

27. 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 as it would enable time to refine the calculation method for the fossil content of the material

28. 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.

## Climate change impact assessment

The purpose of this assessment is to help us understand the likely impacts of our decisions on the environment of North Yorkshire and on our aspiration to achieve net carbon neutrality by 2030, or as close to that date as possible. The intention is to mitigate negative effects and identify projects which will have positive effects.

This document should be completed in consultation with the supporting guidance. The final document will be published as part of the decision-making process and should be written in Plain English.

If you have any additional queries which are not covered by the guidance, please email [climatechange@northyorks.gov.uk](mailto:climatechange@northyorks.gov.uk)

### Version 2: amended 11 August 2021

**Please note: You may not need to undertake this assessment if your proposal will be subject to any of the following:**

Planning Permission  
Environmental Impact Assessment  
Strategic Environmental Assessment

However, you will still need to summarise your findings in the summary section of the form below.

Please contact [climatechange@northyorks.gov.uk](mailto:climatechange@northyorks.gov.uk) for advice.

<b>Title of proposal</b>	UK Emissions Trading Scheme Scope Expansion: Waste
<b>Brief description of proposal</b>	<p>The UK Emissions Trading Scheme (UK ETS) Authority (UK Government, Scottish Government, Welsh Government and the Department of Agriculture, Environment and Rural Affairs for Northern Ireland, hereinafter 'the Authority') is seeking a response to a consultation expanding the scope of the UK Emissions Trading Scheme to include Waste facilities.</p> <p>It is proposed that the UK ETS will include EfW facilities from 2028 (with a monitoring, reporting and verification period starting from 2026), so AWRP would be included within the scheme.</p>
<b>Directorate</b>	Environment
<b>Service area</b>	Environment and Sustainability
<b>Lead officer</b>	Peter Jeffreys
<b>Names and roles of other people involved in carrying out the impact assessment</b>	Lisa Cooper – Commercial Manager Waste
<b>Date impact assessment started</b>	29 May 2024

<p><b>Options appraisal</b></p> <p>Were any other options considered in trying to achieve the aim of this project? If so, please give brief details and explain why alternative options were not progressed.</p> <p>N/A</p>
<p><b>What impact will this proposal have on council budgets? Will it be cost neutral, have increased cost or reduce costs?</b></p> <p>Please explain briefly why this will be the result, detailing estimated savings or costs where this is possible.</p> <p>The UK ETS scheme will apply to Energy from Waste (EfW) facilities from 2028 (with a 2 year phasing in period from 2026 or monitoring, reporting and verification activities).</p> <p>The UK ETS will apply a carbon price for each tonne of fossil based carbon produced from incineration and could have a significant impact on gate fees paid by NYC and CYC (AWRP costs split 79:21 between the authorities).</p>



The proposal may also result in a Qualifying Change in Law under the AWRP contract which would mean the Council is responsible for covering capex and potentially other costs of implementation.

Any changes to the AWRP contract would require NYC to engage with external financial, technical and legal consultants. Depending on the scale and timeframe for the changes, these advisor costs could be significant.

How will this proposal impact on the environment?		Positive impact (Place a X in the box below where)	No impact (Place a X in the box below where)	Negative impact (Place a X in the box below where)	Explain why will it have this effect and over what timescale?  Where possible/relevant please include: <ul style="list-style-type: none"> <li>• Changes over and above business as usual</li> <li>• Evidence or measurement of effect</li> <li>• Figures for CO<sub>2</sub>e</li> <li>• Links to relevant documents</li> </ul>	Explain how you plan to mitigate any negative impacts.	Explain how you plan to improve any positive outcomes as far as possible.
Minimise <b>greenhouse gas emissions</b> e.g. reducing emissions from travel, increasing energy efficiencies etc.	Emissions from travel		x				
	Emissions from construction		x				
	Emissions from running of buildings		x				

<p>How will this proposal impact on the environment?</p> <p>N.B. There may be short term negative impact and longer term positive impact. Please include all potential impacts over the lifetime of a project and provide an explanation.</p>	<p><b>Positive impact</b> (Place a X in the box below where</p>	<p><b>No impact</b> (Place a X in the box below where</p>	<p><b>Negative impact</b> (Place a X in the box below where</p>	<p>Explain why will it have this effect and over what timescale?</p> <p>Where possible/relevant please include:</p> <ul style="list-style-type: none"> <li>• Changes over and above business as usual</li> <li>• Evidence or measurement of effect</li> <li>• Figures for CO<sub>2</sub>e</li> <li>• Links to relevant documents</li> </ul>	<p>Explain how you plan to mitigate any negative impacts.</p>	<p>Explain how you plan to improve any positive outcomes as far as possible.</p>	
	Emissions from data storage		x				
	Other	x			<p>From 2028 EfWs will be included in the UK ETS and from 2026 facilities will need to undertake reporting, monitoring and verification of CO<sub>2</sub> emissions. The scheme encourages carbon emitters to invest in decarbonisation options rather than paying a carbon price.</p>		<p>To implement robust monitoring arrangements to determine biogenic and fossil proportion of AWRP input waste</p>
<p>Minimise <b>waste</b>: Reduce, reuse, recycle and compost e.g. reducing use of single use plastic</p>	x			<p>Recycling infrastructure may develop as EfW facilities try and remove fossil plastics from the input waste stream.</p> <p>The UK ETS considers links with Extended Producer Responsibility as part of the Resources and Waste Strategy implementation encouraging producers to utilise more recyclable packaging for products.</p>			

<p>How will this proposal impact on the environment?</p> <p>N.B. There may be short term negative impact and longer term positive impact. Please include all potential impacts over the lifetime of a project and provide an explanation.</p>	<p><b>Positive impact</b> (Place a X in the box below where</p>	<p><b>No impact</b> (Place a X in the box below where</p>	<p><b>Negative impact</b> (Place a X in the box below where</p>	<p>Explain why will it have this effect and over what timescale?</p> <p>Where possible/relevant please include:</p> <ul style="list-style-type: none"> <li>• Changes over and above business as usual</li> <li>• Evidence or measurement of effect</li> <li>• Figures for CO<sub>2</sub>e</li> <li>• Links to relevant documents</li> </ul>	<p>Explain how you plan to mitigate any negative impacts.</p>	<p>Explain how you plan to improve any positive outcomes as far as possible.</p>
<p>Reduce <b>water</b> consumption</p>		x				
<p>Minimise <b>pollution</b> (including air, land, water, light and noise)</p>	x			<p>The UK ETS scheme may encourage more waste facilities to invest in Carbon Capture technology, but more information is needed around costs of the carbon price and management of the UK ETS scheme prior to NYC being able to understand the impacts for the AWRP contract</p>		
<p>Ensure <b>resilience</b> to the effects of climate change e.g. reducing flood risk, mitigating effects of drier, hotter summers</p>	x			<p>The UK ETS scheme may encourage more waste facilities to invest in Carbon Capture technology, but more information is needed around costs of the carbon price and management of the UK ETS scheme prior to NYC being able to understand the impacts for the AWRP contract</p>		

<p>How will this proposal impact on the environment?</p> <p>N.B. There may be short term negative impact and longer term positive impact. Please include all potential impacts over the lifetime of a project and provide an explanation.</p>	<p><b>Positive impact</b> (Place a X in the box below where</p>	<p><b>No impact</b> (Place a X in the box below where</p>	<p><b>Negative impact</b> (Place a X in the box below where</p>	<p>Explain why will it have this effect and over what timescale?</p> <p>Where possible/relevant please include:</p> <ul style="list-style-type: none"> <li>• Changes over and above business as usual</li> <li>• Evidence or measurement of effect</li> <li>• Figures for CO<sub>2</sub>e</li> <li>• Links to relevant documents</li> </ul>	<p>Explain how you plan to mitigate any negative impacts.</p>	<p>Explain how you plan to improve any positive outcomes as far as possible.</p>
<p>Enhance <b>conservation</b> and wildlife</p>		<p>X</p>				
<p>Safeguard the distinctive characteristics, features and special qualities of <b>North Yorkshire's landscape</b></p>		<p>X</p>				
<p>Other (please state below)</p>						

<p><b>Are there any recognised good practice environmental standards in relation to this proposal?</b> If so, please detail how this proposal meets those standards.</p>
<p>N/A</p>

**Summary** Summarise the findings of your impact assessment, including impacts, the recommendation in relation to addressing impacts, including any legal advice, and next steps. This summary should be used as part of the report to the decision maker.

The inclusion of EfWs within the scope of a UK ETS aims to reduce the carbon impacts and GHG emissions contributing to the UK meeting decarbonisation targets. It is not clear from the proposals how onerous (or otherwise) monitoring, reporting and verification from 2026 would be. It is also not clear what the legal or financial costs of such changes could mean for the AWRP contract and the operations of the facility.

The current consultation seeks to inform the UK government around expansion of the scope of the scheme to cover certain waste management facilities. NYC want to ensure that the UK ETS scheme is mindful of other waste policies (such as the near elimination from biodegradable waste from landfill and Extended Producer Responsibility) to ensure that waste does not move down the waste hierarchy or end up being landfilled/exported. We also want to ensure that producers of products using fossil carbon are charged appropriately for the management (treatment or disposal) of these products at the end of life.

**Sign off section**

This climate change impact assessment was completed by:

<b>Name</b>	Lisa Cooper
<b>Job title</b>	Commercial Manager Waste
<b>Service area</b>	Environment and Sustainability
<b>Directorate</b>	Environment
<b>Signature</b>	
<b>Completion date</b>	25.6.24

**Authorised by relevant Assistant Director (signature): Michael Leah**

**Date: 27/06/2024**