



Response to Ofwat consultation:

Regulatory reporting for the 2020-21 reporting year

24th August 2020

www.water.org.uk

1. Water UK

- 1.1. Water UK is the representative body and policy organisation for water and wastewater service providers across the UK.
- 1.2. This submission focuses primarily on Question 20 relating to greenhouse gas (“GHG”) emission reporting and is provided on behalf of our members.
- 1.3. If you have any queries about our response, please do not hesitate to contact [REDACTED] or [REDACTED]

2. Executive Summary

- 2.1. The UK water sector is recognised as a leading sector for GHG reporting, having over ten years of detailed operational emissions data collected via the Carbon Accounting Workbook (“CAW”).
- 2.2. On the basis of the CAW, the sector has made a sector-leading commitment to achieve net zero operational emissions by 2030. The water industry is currently developing a net zero 2030 routemap due for launch in September 2020. The routemap will include detailed information on future sector-level GHG reporting in line with the commitment.
- 2.3. We **support** the overarching objectives for GHG reporting by individual companies as set out in the APR consultation, noting the following:
 - Care should be taken to build on areas of existing national best-practice, for example the opportunity to build on the existing **operational emissions** measurement undertaken via individual company CAWs.
 - For other emissions, such as **capital carbon**, far less data is currently available across the industry’s value chain at this time. Reporting capital carbon emissions is currently a significant challenge for utility companies, and more time will be needed to establish consistent measurement and reporting arrangements in this area.

- 2.4. In light of the above, we propose taking a phased approach to implementing changes to GHG reporting, focussing on reporting operational emissions through APRs first, and enabling consistent capital carbon emissions reporting in APRs by 2025.
- 2.5. Because capital carbon emissions are closely linked to investment in new infrastructure, capital maintenance, and new connections, any future capital carbon performance targets should be established by individual companies as part of their PR24 business plans.
- 2.6. Collaborative working across a range of stakeholders will ensure the sector develops the most effective and efficient approach to reporting GHG emissions in the shortest possible time.

3. Background on operational emissions data

- 3.1. Operation emissions generally result from activities carried out by the company itself. Measurement is generally carried out by monitoring the activity of its own assets, for example records from onsite energy meters, or mileage recorded by vehicles on water company business.
- 3.2. For operational emissions, the sector has already developed the CAW through UKWIR to consolidate existing company data into a consistent format, to allow all companies to report consistently.
- 3.3. The CAW has been continuously developed over the 12 years, by taking into account developments in global reporting standards, and allows consistent reporting for a variety of purposes.
- 3.4. Importantly, this operational dataset allows the water companies to:
 - Report historic emissions on an annual basis, and;
 - Test the potential net emissions reductions that could result from changes in operational practices – for example changing the uses of biogas or deploying renewable power.
- 3.5. The underlying data collection, consolidation, and analytical processes are relatively mature and the data provides a basis for developing a consistent approach to APR reporting across the industry.

4. Background on capital carbon emissions data

- 4.1. In stark contrast to the arrangements for operational emissions, capital carbon measurement and reporting is considerably less mature across the UK utility industries.

- 4.2. While overarching capital carbon frameworks such as PAS 2080 could be deployed across the water industry, significant systems, carbon models and governance arrangements will be needed across the value chain to enable their operation.
- 4.3. The complexity of measuring and influencing capital carbon emissions should not be underestimated. For example, producing an accurate measure for capital carbon emissions requires a different process at each stage of the project lifecycle:
- **During investment planning**, notional carbon models are developed using typical emissions factors from industry sources such as the ICE database or the CESM workbook (or in few instances directly from suppliers). This provides a capital carbon emissions baseline at the outset and provides designers with a target to outperform during detailed design and construction.
 - **As each project progresses**, elements of the notional carbon model can be replaced with more specific data based on the emerging detailed design. Analysis at this stage ensures the design process adequately considers capital carbon when selecting materials and construction techniques.
 - **Once construction is complete**, the construction records can be used to develop an accurate, bottom-up assessment of the specific emissions associated with the completed project. While this stage produces the most detailed and site-specific assessment, it is more heavily reliant on site-specific data and more time-consuming.
- 4.4. Integrating the above processes into all capital and asset maintenance programmes across the UK water industry would be a significant step, requiring significant investment across the value chain, including supply chain partners.
- 4.5. Recent examples of capital carbon framework implementation in the water sector indicate that approximately 3-5 years would be required to fully implement a capital carbon emissions reporting framework.

5. Water UK responses to specific questions

Q20 We highlight proposals for Greenhouse gas emission reporting in section 4 'Future developments in performance reporting'. To what extent do you agree or disagree with these proposals and why?

- 5.1. We agree with the proposal to create standardised GHG reporting requirements for APRs, and the proposal is compatible the sector's ambition to reach net zero emissions by 2030.
- 5.2. We agree that 2020/21 would be too soon to introduce mandatory GHG reporting of operational or capital carbon in APRs, and that GHG reporting should be introduced as a future development.

- 5.3. We propose taking a phased approach to implementing changes to GHG reporting, focussing on reporting operational emissions through APRs first, and enabling consistent capital carbon emissions reporting in APRs by 2025.

Could companies publish annual gross and net greenhouse gas emissions (in tCO₂e) for both water and wastewater? Could this be done for both operational and embedded emissions?

- 5.4. **For operational emissions**, companies can publish annual gross and net operational GHG emissions for both water and wastewater in their APRs once the end-use of the APR data is confirmed and a suitable reporting format has been agreed across the sector.
- 5.5. If operational emissions data is to be included in the 2021/22 APR, collaborative working between Ofwat and the industry should commence in October 2020. Initial work should focus on reviewing the CAW and identifying suitable data outputs for use in APRs.
- 5.6. To ensure consistency across companies, the CAW should be modified to include a specific APR output table ahead of the first year of reporting.
- 5.7. **For embedded or capital carbon emissions**, the process of developing a consistent reporting arrangement is more complex and they are not currently measured using a consistent overarching framework.
- 5.8. Any new national reporting requirements for capital carbon should:
- Build on the existing work in this area such as previous UKWIR projects on whole life carbon (for example: “A framework for accounting for embodied carbon in water industry assets”, 2012) and PAS 2080.
 - Be developed by a collaborative working group including Ofwat and other interested parties such as Defra, the EA, and the CCC to ensure the reporting framework is suitable for a range of emissions reporting purposes.
 - Take a progressive approach that allows the supply chain to respond to the needs of the sector without penalising individual manufacturers or suppliers (such as SME’s with limited resources).
 - Take account of work ongoing in other sectors such as manufacturing, that can be used to inform the water sector’s approach to determining the carbon embodied in products and chemicals.
 - Inform investment decisions in the run-up to PR24.
- 5.9. In light of the above, we propose taking a phased approach to implementing changes to GHG reporting, focussing on reporting operational emissions through APRs first, and enabling consistent capital carbon emissions reporting in all APRs by 2025.

- 5.10. Because capital carbon emissions are closely linked to investment in new infrastructure, capital maintenance, and new connections, any future capital carbon performance targets should be established individually by companies as part of their PR24 business plans.

In order to aid understanding and to demonstrate progress towards net zero, should there be a further breakdown of this data – for example by source (grid electricity, process emissions, etc) and by type of greenhouse gas?

- 5.11. The activities included in our responses at 5.5 and 5.8 above would be helpful in identifying the appropriate end-uses for the data and determining the appropriate breakdown of emissions data to support those end-uses.
- 5.12. Given the significant amount of emissions data already collected and analysed by the water sector, future arrangements should aim to make efficient use of existing data items, and only explore new measurements where there is no pre-existing coverage.
- 5.13. For operational emissions, the CAW currently assesses emissions as CO₂, Methane, and Nitrous Oxide (NO₂).