

Consultation on regulatory reporting for the 2021-22 reporting year

26st July 2021

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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 response focuses on questions 2, 3, 4, 5, and 6 of the consultation document, in regards to greenhouse gas (GHG) reporting.
- 1.3. If you have any queries about our response, please do not hesitate to contact
[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.
- 2.3. We **support** the overarching objectives for GHG reporting by individual companies, 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 **capital and embodied carbon emissions**, 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 repeat the proposal made in our submission in August 2020 to the Ofwat Consultation on Regulatory Reporting: 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. Water UK responses to specific questions

Operational Greenhouse Gas Emissions

Question 2: Do you have any other comments or views on the proposal for mandatory standardised reporting for operational GHG emissions, beyond those included in responses to last year's RAGs consultation?

- **Water UK supports mandatory standardised reporting of operational GHG emissions. Members ask Ofwat to be mindful many metrics and data points are reported in numerous statutory documents and ask for consistency and alignment with these in reporting requirements.**

Question 3: Are there any other data, metrics or further breakdown or categorisation that should be included in Table 2?

Emission reduction activities

- In response to section 5.7 of the consultation document referring to Ofwat's request for data on the emission reductions brought about by the purchase and generation of renewable energy, Table 2 does not allow for reporting of carbon capture, tree planting or other certified renewable products or activities.
- **We recommend Ofwat expands the table to accommodate activities undertaken by companies which have quantifiable emission reductions.**

Recording Scope 2 emissions

- Table 2 of the consultation document (page 12) proposes using location-based reporting for Scope 2 emissions.

- **Water UK recommends using both location-based and market-based reporting on Scope 2 emissions to align with the sector's net zero approach and ensure clear alignment with the GHG protocol and allow transparency in progress on procurement of renewable energy.**

Recording Ratio Values

- Intensity ratios enable the most meaningful comparison and insight on a water company's carbon performance for emissions per mega litre of water supplied and wastewater treated. These are already well used across the water industry as part of our long history of collaboration towards a standard reporting method.
- **Water UK recommends clarifying in Table 2 that for Ratio Values the net operational emissions figures are used to calculate the intensity ratio value.**
- Reporting emissions by turnover or revenue will cause confusion and misunderstanding in the context of regulatory reporting because they will not be consistent or comparable across different company structures in the industry.
- **Water UK recommends Ofwat clarifies the purpose of this data point and removes the carbon intensity of turnover from Table 2. In the instance of enabling broader assessment of the sector as a whole's economic carbon intensity, this figure should be collected separately to the operational emissions data.**

Embedded Greenhouse Gas Emissions

Question 4: What are the key challenges that need to be considered and addressed to facilitate greater standardisation of reporting on embedded emissions?

- The key challenges that need to be addressed to facilitate greater standardisation of reporting of embedded emissions are:
 - There is no standard system yet in place in the industry for capturing the information nor a standard set of carbon factors agreed.
 - Suppliers are not yet consistently able to provide data on the materials supplied and the carbon emissions associated with them.
 - Historical contractual arrangements with supply chain partners may restrict the ability to provide certain data. For example, companies responsible for projects currently under construction may be able to provide overall emissions in tCO₂e but not emissions split between different GHGs (CO₂, CH₄ and N₂O).
 - Suppliers are prioritising working with larger water companies to provide the embodied carbon data required, smaller water companies are struggling to get traction for any data requests.
 - Small suppliers don't have the capability or resources to provide the additional data required.

- Capital investment is 'lumpy' and therefore embedded emissions may vary a lot year to year. Without a reporting methodology to resolve this, it is confusing for customers and not comparable across companies.

Additional Information relating to research on capital and embedded emissions:

- An UKWIR project has been commissioned by the water companies to investigate Total Expenditure (Totex) of carbon, which includes capital and operational carbon of an intervention.
- The project will carry out a high-level review of the tools current in use by the water sector; consider the potential for integrated totex carbon calculation; and assess the appetite amongst potential end users for whole life carbon planning tools of this type.
- This project will look at whether fully integrated whole life carbon assessment can give better guidance for investment decision making. It will consider:
 - current practice in capital carbon assessment in the sector and the ability of contractors and other third parties to support this activity
 - the potential value in quantifying totex / whole life carbon i.e. emissions associated with investment options throughout the lifetime of assets or non-asset-based solutions.
 - whether this is readily achievable with the menu of tools that are currently available.
 - the scope for current financial totex models to monetise the full lifetime costs of carbon and the right values to use for this to influence decision making
- The project is due for completion by March 2022. At this point, water companies will be in a better-informed position to create systems and processes for assessing capital and embodied emissions.

Question 5: Are there any particularly relevant frameworks or approaches for us and the industry to consider in relation to embedded emissions reporting and reductions? For example PAS2080?

- Water UK supports the idea of a single framework and approach for the industry and its suppliers to use but is agnostic as to what this should be.

Question 6: What area/s of data or other information do you consider we should focus on for voluntary reporting?

- A starting point for further data points could be a focus on specific materials used by the industry. This could help would simplify the process of collecting data and begin to assess embodied emissions by material. This could also create consistency, be supplier agnostic and be comparable.