



Consultation on PR24 operational greenhouse gas emissions performance commitments definitions

Southern Water response

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Thank you for giving us the opportunity to respond to this consultation.

We are pleased to see Ofwat are consulting on the definitions, seeking views on the PR24 common water and wastewater operational greenhouse gas (GHG) emissions performance commitments (PC) scope, (particularly in relation to additional reporting categories), and are also seeking views on the proposal to use a static version of the Carbon Accounting Workbook (CAW) throughout the PR24 price control period.

Southern Water believe, while the operational GHG PC is the right direction for the industry to take to monitor, measure and improve their emissions footprint, complicating it by separating reporting on emissions from source might act as a deterrent. Additionally, lack of clarity around who has the right to account for emission reduction from the trade of bioresources might discourage participants and create a negative impact on the environment.

However, Ofwat's proposal to maintain one version of the carbon accounting workbook is reassuring.

Question 1: Do you have any comments on our proposal to include additional reporting categories in the definitions of our PR24 operational GHG emission PCs?

In theory, the inclusion of reporting categories for chemicals, waste generated in operations and energy/fuel related activities seems logical. They clearly have an impact on GHG emission contributions and so it is appropriate that they are considered within the operational GHG emissions PC at some point. It must be recognised however that emissions from chemicals will be more difficult to determine, as there are no clearly understood methods or best practice approaches that are already in place across the industry and that can be easily implemented in this instance.


With regards to waste generated in operations, whilst some waste is accountable, such as biogas, process emissions are difficult to monitor, and more difficult to report on. The industry's focus has historically been targeted at reducing and managing carbon, as opposed to process emissions. As such the process emissions solutions across the industry are still in their nascency, which makes reporting very challenging.

We recognise that these categories have an impact on GHG emissions, however it would ultimately be preferable to not separate out the reporting categories within the GHG PC due to the difficulty associated with reporting on them. We would encourage Ofwat to assess whether the additional categories are likely to have a material impact on companies and to exercise some caution before doing so. Once methodologies and technologies have all developed to an appropriate level, these additional elements could instead be gradually introduced over time, once impacts are better understood.

Scope 3 emissions should remain separate from Scope 1 and 2 emissions, and be excluded for the PC, however, we support the industry starting to report on them through the APR for CAW 18.

Question 2: Do you have any comments on our proposal to allow companies to claim GHG emissions reductions when trading bioresources?

We believe that the proposal to allow companies to claim emission reductions when trading (in/purchasing) bioresources is a sensible one and is an approach that we support. Companies should not be disincentivised from trading sludge if it is ultimately leading to possible renewable energy sources and therefore creating a positive impact on the environment and GHG emissions.



We feel it would be useful to have a clearer understanding of the impact that this would have on both the importing and exporting party, as it is unclear if there are potentially negative impacts on one party who may not be able to claim emissions if there are changes to existing systems. There also needs to be a consideration for the impact this may have on contractual arrangements between parties moving forward.

Question 3: Do you have any comments on our proposal to use one version of the CAW throughout PR24 to assess progress against the PCs?

Using one static version of the Carbon Accounting Workbook seems like a sensible approach and feels aligned to the standardisation and consistency that Ofwat are clearly looking to achieve across the regulatory period. However, it is important to bear in mind that we assume for APR the CAW will be updated year by year; effectively requiring two CAWs to be updated.

Question 4: Which version of the CAW do you consider it is feasible to use throughout PR24 and why?

We would prefer the CAW18 version to be used. This allows us to use the same approach and methodology that we are currently using and would minimise any disruptive impact of moving to a new version. This version also considers the feedback from the Water industry to improve the CAW.