

Consultation on PR24 operational greenhouse gas emissions performance commitments definitions

Wessex Water's response

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?

The inclusion of emissions from biosolids reused on farmland and treatment chemicals will both increase our emissions by material amounts:

- Reuse of biosolids on land – circa 9 kt CO₂e per year
- Chemicals – 5 to 6 kt CO₂e per year

Together, these represent an additional 13% on top of our current reported operational emissions.

Table 1 in A1.2 and A2.2 refer to 'Emissions from land' in scope 1. We would appreciate confirmation that this refers only to emissions related to biosolids in companies' land, rather than fluxes related to all land cover (e.g. grassland, peat).

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

We are not actively trading bioresources but are open to doing so where it presents economic and environmental benefits. As the proposal sets out, we would expect to see a consistent approach in which carbon accounting benefits sit with the company holding the relevant certificates.

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?

It will help to use one version of the CAW during the period, as this will provide consistency and reduce uncertainties in terms of calculation methods. This is particularly relevant for process emissions, for which new information is continually emerging. We would not want to carry the risk of emission factors increasing sharply – due to a new reporting procedure rather than an operational change - in a way that affects reporting against the performance commitment.

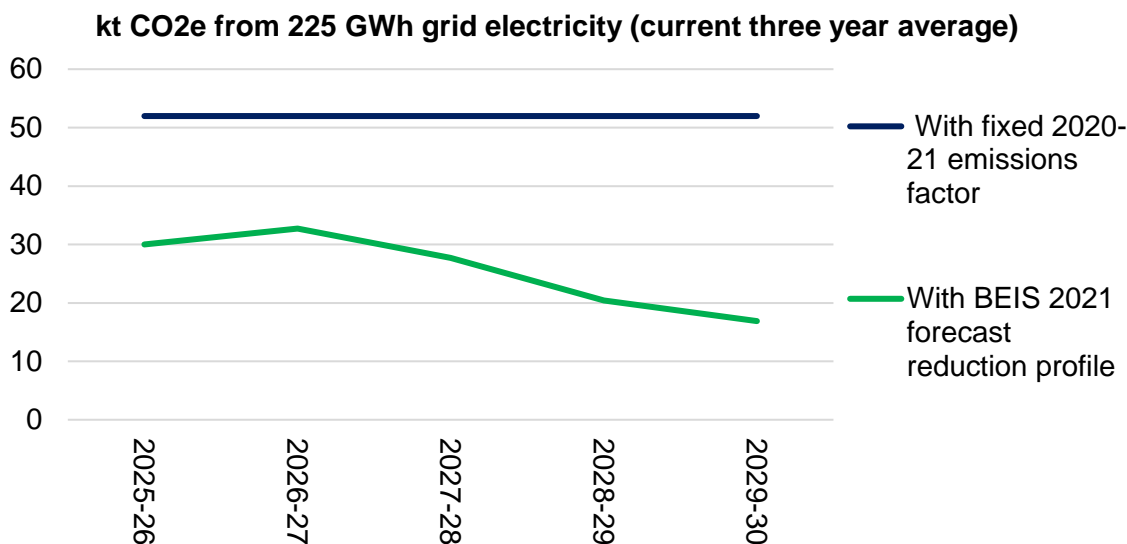
However, we have fundamental concerns about the chosen calculation method for the PC, i.e. locations-based reporting and the use of the 2020-21 grid emissions factor throughout 2020-21.

Employing a single grid emissions factor to be used in all situations will definitely detract from our work to achieve net zero carbon, and send the wrong message to customers. We comment on this further below.

In the medium term, our strategy must include the option to buy renewable energy, that is reportable as zero carbon. In many instances this will be a cost-efficient option that supports the UK renewable energy industry.

By not allowing green tariff purchase as part of the calculation method, our performance commitment profile will show grid electricity emissions in the worst possible light, i.e. in excess of both

- a) our market-based grid electricity emissions if we were to contract with renewable electricity suppliers
- b) our likely location-based grid electricity emissions, given the forecast reductions in the commercial grid average emissions factor, which BEIS (in 2021) expected to fall to 0.070kg CO₂e / kWh by the 2029-30 reporting year. The graph below illustrates this disparity.



We are therefore concerned that companies will lose an incentive to engage actively with the renewable energy market.

Moreover, the use of location-based reporting for imported electricity is not consistent with how the definition allows for companies to zero rate exported green gas or green electricity, where they have retained certificates and foregone their associated revenue, which could be classed as a market mechanism.

We would prefer some latitude for purchasing offsets, or at least to use market mechanisms to cover a regulatory requirement, in the manner of the UK emissions trading scheme. While we consider this to be at the bottom of the carbon management hierarchy, it needs to remain an option when remaining solutions are disproportionately expensive and / or offering little additional carbon benefit.

Overall, the proposed methodology will lead to our customers seeing reported emissions flatlining, or at best, reducing modestly. We think this will be contrary to what we actually aim to achieve over the period. It may also lead to a reduction in trust in the industry, as we will also be using market based reporting to calculate and measure our performance that includes the activities discussed above that are not captured in the current calculation, and customers could be confused by two numbers. The more the performance commitment definition can align with a true representation of our emissions, the less likely we are to need to calculate a separate figure.

Regarding targets, our preference is for it to be based on a percentage change in relation to our absolute emissions baseline.

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

A major review of the CAW is about to begin, which could lead to major changes in terms of the user interface. This means that either the 2021-22 and 2022-23 editions will best represent a 'known quantity' for those carrying out annual carbon accounting.

The main downside is that these CAW editions do not capture the benefits that could be delivered through real time monitoring and control of nitrous oxide emissions. If verifiable quantification of this becomes available during 2025-2030, there should be latitude for companies to factor this into their annual reporting.

Regarding emissions associated with extraction and production of fuels, we think it would be premature to include this in the scope of the PC, given that as a sector it has not been included in the CAW to date. Nor do we believe its inclusion would provide a significant additional incentive to decarbonise, given the efforts that are already underway.