PR24 operational greenhouse gas emissions performance commitment (Wastewater)

Purpose: This performance commitment incentivises the company to reduce greenhouse gas emissions arising from its own operational activities.

Benefits: In incentivising reductions in company operational greenhouse gas emissions, this performance commitment will also support attainment of UK government and Welsh Government's 2050 and interim net zero targets.

Version control

Version	Date of issue	Performance commitment changes
0.1	July 2022	Published in draft methodology appendix 7.
1.0	February 2023	Published in consultation on PR24 operational greenhouse gas emissions performances commitments definitions.
2.0	March 2023	Published following the February 2023 consultation.
2.1	May 2023	Published with changes consequent to publication by UK Water Industry Research Ltd (UKWIR) of version 17 of its Carbon Accounting Workbook. Changes clarify that GHG emissions should be reported using the UK government fixed national grid emissions factor for 2022; clarify the emissions factors to be used in relation to chemicals; clarify the requirement to report GHG emissions from retail activities; and add the price control allocation.
2.2	June 2023	Changes to modify the price control allocation.

Performance commitment definition and parameters

1. Detailed definition of performance measure

Greenhouse gas emissions expressed in tonnes CO2e (carbon dioxide equivalent) and the percentage change since 2021-22. This is also reported as kgCO2e per megalitre of volume of wastewater received at sewage treatment works.

2. Additional detail on measurement units

Relevant emissions are calculated using the UK Water Industry Research Ltd (UKWIR) Carbon Accounting Workbook [version 17 published in 2023 subject to it supporting our PR24 policy intentions] and subject to the further specification in table 1:

Table 1 Relevant emissions

Scope 1[1]
Direct emissions from burning of fossil fuels (location-based)
Process and fugitive emissions (incl. refrigerants)
Emissions from vehicle transport (owned or leased)
Emissions from land
Scope 2[2]
Purchased electricity (location-based)
Purchased heat
Electric vehicles
Removal of electricity to charge electric vehicles
Scope 3[3]
Business travel on public transport and private vehicles used for company business
Outsourced activities
Purchased electricity: extraction, production, transmission and distribution[4] (location-based)
Purchased heat: extraction, production, transmission and distribution
Purchased fuels: extraction, production, transmission and distribution
Chemicals
Disposal of waste
Emissions reductions
Exported renewables (generated onsite and exported)

[1] Scope 1 emissions means direct emissions from owned or controlled sources.
[2] Scope 2 emissions means indirect emissions from the generation of purchased energy.
[3] Scope 3 emissions means all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
[4] References to the extraction, production, transmission and distribution of electricity, heat or fuels in this performance commitment are to those terms as defined in GHG Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', 2011, p.41.

Exported biomethane (generated onsite and exported)
Insets

When calculating scope 2 emissions, the company will use the location-based method to determine its GHG emissions from electricity used. The company will report its GHG emissions using the UK government fixed national grid emissions factor for 2022.

By generating their own renewable energy and using it in their operations, companies can reduce their scope 2 emissions as they will purchase less electricity delivered through the grid, and/or their scope 1 emissions related to the burning of fossil fuels. The following activities are eligible:

- Onsite generation;
- Behind the meter;[5]and
- Private wire.[6]

Companies are reminded that, as for all other transactions between the appointed business and non-appointed business or associated companies, they must follow the relevant licence requirements[7] and Regulatory Accounting Guidelines as revised from time to time.[8]

Calculation of the emissions associated with the production of purchased chemicals used in operations should include all chemicals on the default list of chemicals contained in the CAW and any other chemical that accounts for 10% or more of the company's GHG emissions linked to its use of chemicals. Chemicals that meet or exceed this 10% threshold, either individually or together where the company uses alternative chemicals for the same purpose, should be reported through the CAW's custom list.

In calculating the emissions associated with a chemical on the CAW default list, the company should use the highest emission factor for which a publicly available data source is noted on that list. Where the default list does not note an emission factor with publicly available data source, it should use the highest factor noted on the default list. In calculating the emissions associated with a chemical that is not on the CAW default list, the company should use the highest emission factor for which there is a publicly available data source and cite that source when reporting. If there is no publicly available emission data for that chemical, the company must set out the emissions factor used and provide reasons for using this factor. Reported chemicals includes chemicals in gas and liquid form. The company should also report on emissions from the use of both virgin and regeneration Granular Activated Carbon

[5] 'Behind the meter' means renewable energy that does not have to pass through a meter or the grid to be used onsite.
[6] 'Private wire' describes a situation where an energy generator provides energy directly to the end user via a direct private connection rather than via the grid.
[7] Including those in Condition P: Regulatory ring-fence
[8] For more information on the current Regulatory Accounting Guidelines, see Ofwat, RAG 2.08 – Guideline for classification of costs across the price controls; Ofwat, RAG 5.07- Guideline for transfer pricing in the water and sewerage sectors, April 2017; and Ofwat, RAG 3.13 – Guideline for the format and disclosures for the annual performance report, March 2022.

(GAC). Emissions from chemicals should be based on the volumes purchased and emissions linked to their manufacture.

Calculation of the emissions associated with waste generated in operations should include emissions related to wastewater sludge transport, treatment, and disposal, including disposal to the company's own land and third-party land. Other forms of waste such as administrative waste should not be included. We expect the company to report the following:

- sludge transport in vehicles owned or leased by the company (scope 1 Vehicle transport) and by third parties (scope 3 Outsourced activities);
- sludge treatment by the company (scope 1 Process & fugitive emissions) and by third parties (scope 3 Outsourced activities);
- disposal of sludge to the company's land (scope 1 Emissions from land) and third party's land (scope 3 Disposal of sludge to land); and
- energy associated with sludge transport, treatment and disposal when done by the company (scope 1 Burning of fossil fuels, scope 2 Purchased electricity, Scope 3 Purchased electricity, Purchased heat, Purchased fuels).

Calculation of the emissions associated with fuel and energy-related activities should be based on the CAW and the emissions factors for 2022 provided by UK government. Calculation should include GHG emissions from extraction, production, and transportation of fuels:

- used in the generation of electricity and heat consumed by the company; and
- purchased and consumed by the company.

Subject to the provisions of this section 2, the company will report its net location-based emissions which is reflective of emission reductions from: the export of renewable energy it has produced; purchases of renewable energy generated from the treatment of its waste by third parties; and insets.

To claim emissions reductions arising from the export of renewable energy it has produced, the company must retain full legal and beneficial title to the corresponding certificates (e.g., REGOs and RGGOs) and cannot transfer, assign or otherwise provide any interest in such certificates to a third party at any time. If RGGOs are retired, the company must be named as the sole allocated end user.

To claim emissions reductions to the extent that it has purchased renewable energy generated from the treatment of its waste by third parties, the company must buy and retain full legal and beneficial title to the corresponding renewable energy certificates (including REGOs and RGGOs certificates) and cannot transfer, assign or otherwise provide any interest in such certificates to a third party at any time. If RGGOs are retired, the company must be named as the sole allocated end user.

The company may include emissions reductions from the use of insets, providing such insets:

- are linked to the implementation of nature-based solutions;
- clearly benefit the communities and environments the company operates in;
- are confined to the company's value chain, with any such reductions being clearly linked to the delivery of its statutory functions;
- do not account for more than 1% of the company's gross location-based emissions during the 2025-30 period and are in proportion to the company's investment; and
- are clearly linked to long-term planning on how residual emissions will be managed in line with externally verifiable approaches, such as the Science Based Targets Initiative (SBTi).

Insets can include partnership working activities that the company implements via the delivery of its statutory functions and within the context of its supply chain.

The company cannot claim emissions reductions in relation to insets where the company's legal or beneficial title to them is the subject of transfer, assignment or the provision of any other interest in them to one or more third parties (including project partners) at any time.

The company may allocate insets activities between this performance commitment and its common GHG emissions performance commitment for water, in the manner that best reflects its particular circumstances, providing it provides a clear explanation of its rationale for the allocation and ensures that reductions are not double counted. Companies are expected to allocate insets to the area of their operation that they are related to. Sequestration activities, such as peatland restoration, can be included within insets where they lead to an emissions reduction that can be demonstrated in the near and long-term. Where the company wants to claim emissions reductions related to the use of insets, such reporting must be subject to external verification.

The company will report GHG emissions from retail activities, by allocating them equally between its water and wastewater activities.

3. Specific exclusions

The following are excluded from the calculation of net location-based emissions:

- offsets;
- green tariff energy purchases; and
- the company's consumption of renewable energy delivered through the grid, including where this is due to a direct or corporate power purchase agreement.

4. Reporting and assurance

The company shall provide external third-party independent verification (by those with appropriate qualification and experience) focused on the quantification and reporting of

greenhouse gas emissions and removals (e.g. ISO 14064). Data will be assured following an audit by an appropriately qualified independent third party. For the avoidance of doubt the scope of assurance excludes data sourced from the carbon accounting workbook.

The company shall ensure that its outcome delivery incentive payments only relate to real performance changes and not definitional, methodological or data changes in performance commitments. The company shall maintain a methodology statement, which shall be used as a decision support tool for this performance commitment. It should record any changes in approach compared to previous years and will be reviewed as part of the company's assurance process.

We may intervene to protect customers and ensure that the company does not benefit from insufficient data quality.

Table 2 Definition parameters

Parameters	
Measurement unit and decimal places	Tonnes CO2e reported to two decimal places and the percentage reduction since 2021-22; and this is also reported as kgCO2e per megalitre of volume of wastewater received at sewage treatment works
Measurement timing	Reporting year
Incentive form	Revenue
Incentive type	Outperformance and underperformance payments
Timing of underperformance and outperformance payments	In-period
Price control allocation	85% wastewater network plus, 15% bioresources - based on industry allocation of costs and revenue.
Frequency of reporting	Annual
Any other relevant information	N/A
Links to relevant external documents	N/A