

5. Other regulatory charging schemes

5.1. Regulatory framework

For other charging schemes/ regulatory regimes not under the EPR we have also:

- assessed our current regulatory system, how much resource we need and the contribution to the desired outcomes
- identified all the activities carried out to deliver the regulatory regime and the outputs produced by those activities
- explained the value of the desired activity in delivering our regulatory duties, our role and optimising outcomes
- explored any simplification opportunities available that could make our desired activity even more cost-beneficial
- tested the balance of desired activity to ensure optimum outcomes
- introduced charges for new services

Regimes where we propose to decrease certain charges are:

Water abstraction

Regimes where we propose an increase in certain charges are:

Control of Major Accidents and Hazards

EU Emissions Trading Scheme

Waste Electrical and Electronic Equipment (WEEE) Producer Responsibility

5.2. Water abstraction

5.2.1. Water Abstraction proposals for 2018/19

We have not reviewed the structure of our water abstraction charges scheme as part of this Strategic Review of Charges as the intention is that this will happen over the next few years as part of a wider reform of the abstraction licensing system. The future reform of the licensing system is described in section 7. Whilst this work continues, there are a couple of shorter term changes that we wish to make, which we present in two proposals here. These proposals are required to ensure that our charging scheme is up to date, correctly reflects our regulatory work, and enables us to manage any surplus or deficit balances on our accounts in accordance with HM Treasury's Managing Public Money guidance.

Reduction to the Thames regional charging area Standard Unit Charge (SUC)

Income from abstraction licences from our Thames regional charging area customers amounts to £17.2 million per year. As part of this review we propose to reduce this to better reflect our actual costs.

To reflect this reduction and to rebalance the account, we are proposing to reduce the Thames regional charging area SUC from £13.84 to £11.48 from 1 April 2018, a reduction of 17%. The SUC is one of the factors that determines the Standard Charge part of our customer's total annual charge.

Consultation question

52. Do you agree with the proposal to reduce the Thames regional charging area Standard Unit Charge?

- Yes
- No
- Not applicable

If not, please explain why.

Removal of the River Alre as a Supported source in Schedule 1 to the Abstraction Charges Scheme

We propose to remove the two reaches of the River Alre which are defined in the charging scheme as supported sources. The reaches involved are:

- River Alre (northern) - from the upstream limit at grid reference SU 595 334, to a downstream limit at grid reference SU 590 334
- River Alre (southern) - from the upstream limit at grid reference SU 605 324, to a downstream limit at grid reference SU 573 324

These reaches of the River Alre no longer have their flow supported, due to the revocation of our abstraction licence for the transfer of the water, and a decommissioning of the support scheme in December 2015. We now need to redefine these two stretches as 'unsupported' in our charging scheme.

No current licence holders are affected by this proposal as the X3 supported source factor on these two stretches of river have been waived since the date of decommissioning of the scheme. Customers abstracting from these reaches in the future will no longer have this supported source multiplier applied to the Standard Charge part of their annual subsistence charge.

Consultation question

53. Do you agree with the proposal to remove the River Alre (northern and southern reaches) from the list of supported sources in the Abstraction charging scheme?

- Yes
- No
- Not applicable

If not, please explain why.

5.3. Control of Major Accidents and Hazards (COMAH)

The Health and Safety Executive (HSE) and Environment Agency are the Competent Authorities to enforce the COMAH Regulations in England. We have a statutory responsibility to provide regulatory oversight of high-hazard industries using or storing quantities of dangerous substances that fall into the scope of the COMAH Regulations. Businesses must take all necessary measures to prevent major accidents involving dangerous substances and limit the consequences to people and the environment should any major accidents occur.

The Environment Agency's role is to: assess safety reports and accident prevention policy; undertake inspections of COMAH establishments; and investigate, report on and enforce against major accidents. We have and continue to implement improvements to charge recovery through the COMAH Regime Assurance Group.

The system of cost recovery used by Competent Authorities in performing its COMAH statutory functions is based on the amount of time expended carrying out its functions with regard to that establishment on any given occasion or occasions and includes all relevant costs. This is charged by both the Environment Agency and the HSE on an hourly rate basis.

Charge Proposals

We have reviewed our hourly rates to recover our costs for work related to COMAH sites. The hourly rate has not changed for a number of years and no longer covers our full costs. Whilst we will be able to improve the efficiency of our activity, we still require an increase to the hourly rate used to move us closer to full cost recovery.

We propose to set a charge of £161 per hour. This represents a step change in our COMAH income but is some way from full cost recovery.

We plan to further review this whilst we look to review/implement further efficiencies both internally and potentially across our partner Competent Authorities. We propose to look to do this after a mid-point review of the current work from April 2020/21. With the annual review for COMAH charging, however, we may make an increase in 19/20 if we were in a position and have agreement to do so.

External Emergency Plans

We also propose to introduce a new hourly rate charge to recover costs from our role to assess external emergency plans. Our ability to charge for this activity was introduced through Regulation 29 of the COMAH Regulations 2015.

External emergency plans are developed by and are the responsibility of local authorities. They rely on designated authorities such as the Environment Agency to test them. They are required to test the plans every three years. Where a local authority requests the support of a designated authority to test an external emergency plan, we must co-operate and assist them.

As a designated authority, we provide staff with appropriate expertise to ensure that the testing of the plan is robust and suitable to protect people and the environment should a real incident occur. We may also provide staff with appropriate expertise to support the development of the test.

We propose to introduce an hourly rate charge of £84 to recover our costs for this work. We will charge the local authority for the agreed costs for our involvement in testing an emergency plan.

As with other COMAH work, we use an hourly rate to recover costs for time expended carrying out our role for individual local authorities. The staff we use to assess external emergency plans are incident management staff, who have a lower cost compared to COMAH technical officers and hence why the hourly rate proposed for external emergency plans is lower than for that of work on COMAH sites.

Consultation questions

54. Do you agree with the proposed increase in our hourly rate charged for Control of Major Accidents and Hazards (COMAH)?

- Yes
- No
- Not applicable

If not, please explain why.

55. Do you agree with the proposed introduction of a new charge for work on external emergency plans?

- Yes
- No
- Not applicable

If not, please explain why.

5.4. European Union's Emissions Trading Scheme (EU ETS)

Background

The EU ETS is a cornerstone of European Union policy to meet Kyoto Protocol and future Paris Agreement commitments to reduce greenhouse gas emissions. The EU ETS also has a similarly significant role in helping the UK Government to meet carbon budgets set out under the Climate Change Act 2008.

We are responsible for regulating operators and aircraft operators, ensuring compliance and enforcement of the EU ETS in England. We also administer the EU ETS Registry (a database hosted by the European Commission where EU ETS allowances can be transferred and surrendered) for the whole of the UK.

The work is split into three broad areas:

- EU ETS installations – electricity generation and the main energy-intensive industries – power stations, refineries, iron and steel, cement and lime, paper, food and drink, glass, ceramics, engineering and the manufacture of vehicles
- EU ETS aviation – mainly commercial airlines but some private and business jets
- Registry – the registry used to trade and surrender allowances
- There are several types of registry accounts including:
 - operator accounts required as part of EU ETS participation

- trading accounts opened by financial institutions and some private individuals to trade carbon allowances - the opening of trading accounts is voluntary and is for the purpose of trading in carbon allowances

In the UK there are about 1,000 installations participating in the EU ETS of which about 740 are regulated by the Environment Agency. There are a further 140 aviation operators that are regulated by the Environment Agency.

The Environment Agency charges for determining permits and emission plans. These charges provide for:

- the opening of a registry account (required to trade and surrender allowances)
- annual subsistence for the maintenance of accounts
- additional events such as transfer, surrender or revocation of the permit, and project activities

Rationale for New Charges

The current charges reflect a scheme that was largely designed for the first phase of the scheme in 2005. This has been added to incrementally since then as policy and legislative changes have brought in new sectors, types of permit, a big reduction in the number of aircraft operators, a Union Registry, and increasingly sophisticated trading facilities. Our charges under this scheme have not been reviewed since 2011. However, the requirements of the scheme have changed and we are no longer recovering the cost of our work.

The permitting and subsistence charges were originally based on the polluter pays principle with the largest emitters paying the most and the smallest the least. Three bands of charges were established which aligned with EU ETS thresholds specified for monitoring and reporting requirements.

We propose to move from tiered subsistence charges for all our ETS customers to two flat charges for operators of installations and aircraft. This change reflects the automation of our delivery of the EU ETS since 2012 as well as changes to EU policy on aviation in 2013. Our automation has reduced the administrative effort we expend on our larger emitters. As a result, there is no significant difference in effort expended on customers regardless of their emissions.

We propose to remove the variation charge and include this in the subsistence charge. This will simplify the charging scheme and reduce the administrative burdens to customers.

We propose to increase charges in relation to the opening of registry accounts. Enhanced security checks for those opening an account and approving users have been introduced to the regulations to counter banking and money laundering. This has resulted in an increased effort for both account applications and new user determination, and as such we propose to increase these charges to reflect our increased costs.

Charges proposals

We propose to retain the structure of the existing scheme with the following changes:

- replace the current tiered subsistence charge with flat charges
- remove the aviation and installations variation charges
- remove redundant charges for non-emitters
- change to registry charges as set out below

All other charges will remain the same.

Annual subsistence charges

The new flat rate charge for operators of installations will be £3,065.

The new flat rate charge for aviation customers will be £3,135.

The charge for non-emitters will also be removed.

Registry charges

Opening a registry account

The charge for opening a registry person holding account or trading account is proposed to be increased from £190 to £915. The charge for opening a verifier account is proposed to be increased from £190 to £500. These are cost reflective.

Change of registry authorised representative

We propose to apply a charge of £880 for a change of registry authorised representative. This will apply to all installation and aviation operators, verifiers and holders of person holding and trading accounts.

There is currently no charge for this work for operators. The charge for person holding and trading account holders is currently £55.

Annual registry subsistence charge

The cost of maintaining a registry person holding or trading account has reduced, so the annual subsistence charge is proposed to be reduced from £380 to £255 per year. Again, this is cost reflective. This charge will also apply to those with former operator holding accounts

Consultation questions

56. Do you agree with the proposal to move from tiered charges to one flat rate annual subsistence charge for installations operators and one flat rate annual subsistence charge for aviation customers?

- Yes
- No
- Not applicable

If not, please explain why.

57. Do you agree with the proposal to amend the registry charges?

- Yes
- No
- Not applicable

If not, please explain why.

5.5. Waste Electrical and Electronic Equipment (WEEE)

Background

Regulating the WEEE system (which flows from the Waste Electrical and Electronic Equipment Regulations 2013) is funded directly by the businesses that operate within the system. We have identified that we do not receive sufficient WEEE income to fund our regulatory activity. We therefore need to adjust our WEEE charging scheme to enable us to achieve full cost recovery.

The WEEE system is built around three main customer groups (Producers, Compliance Scheme and treatment operators and exporters) working together to deliver the overall outcome of increased recovery and recycling of waste electrical products.

We regulate all customers in England, ensuring that: producers are correctly meeting their obligations; compliance schemes are approved to operate, are viable and able to meet their members' obligations; treatment operators and exporters are approved and monitored to ensure they issuing valid evidence of WEEE treatment, recovery and recycling. Our regulatory effort ensures obligations are being met and any non-compliance is addressed, maintaining a level playing field for all operators and helping ensure that the UK meets recycling targets.

Rationale for New Charges

It is critical that within the system we have sufficient treatment operators able to treat, recover and recycle WEEE and issue the 'evidence' to allow producers to meet their statutory obligations. It is also important that there is effective regulation of this part of the system to ensure it operates in a fair and compliant manner.

The proposed new charge will have the least impact on the operation of the WEEE system and the market dynamics between the three main industry groups and allow us to fully recover our regulatory costs.

Both the regulatory costs and the more significant recovery/recycling costs in the WEEE system are ultimately borne by Electrical and Electronic Equipment (EEE) producers, and we are proposing that this group will pay the bulk of costs as the main beneficiaries of our regulatory activity as we move to a full cost recovery position.

We have proposed only a modest increase to the charge for Approved Authorised Treatment Facilities (AATFs) and Approved Exporters (AEs), with a higher proportion of the under recovery of our costs being met through the revised producer registration charge. In addition, we have proposed a subsistence fee for compliance schemes to cover the costs associated with our regulatory activity with this customer group. Currently, compliance schemes do not pay directly towards the costs of regulating them.

Charges proposals

Producer Charges

We propose to introduce a single £800 charge for all 'Large' EEE producers (that place more than 5T EEE on the market each year). This simplifies the information needed from producers and schemes at registration, compared to the existing position where producers must justify their eligibility for a specific charge band. The existing charge bands do not have any direct relationship to the amount of EEE placed on the market nor the regulatory effort required for compliance monitoring of an EEE producer. The proposed approach provides for a more even approach to all EEE producers who are required to register.

Charges for 'Small' producers (that place less than 5T EEE on the market each year) will remain at £30.

Producer Compliance Scheme Charges

We propose to introduce an annual subsistence charge of £12,500 for compliance schemes.

Currently schemes only pass on a registration fee per member but do not pay directly for the core work needed to regulate a compliance scheme.

We will retain the current one-off scheme approval fee of £12,150.

AATF and AE charges

Charges for Large AATFs and AEs (that issue more than 400T of evidence each year) will increase from £2,570 to £3,500, and Small AATFs and AEs (that issue 400T or less of evidence each year) charges would increase from £500 to £600.

The charge payable by an exporter if they add an additional overseas export site to their approval will rise from £110 to £150 for each request.

Regulatory change

Our charge proposals have been developed based on the number of EEE producers whose principal place of business is in England. All large producers have to be a member of a compliance

scheme and a compliance scheme can seek approval from any of the four UK environment agencies. As a result there is flexibility as to where a producer registration is made by virtue of being able to join any of the UK approved compliance schemes. There is therefore a risk that producers will migrate to compliance schemes who are approved by other agencies, and who have lower registration charges. If this occurred, it would undermine the approach we have adopted whereby producers pay a larger proportion of the overall Environment Agency costs for regulating the WEEE system.

In order to mitigate this, Defra have agreed to consult on introducing a regulatory amendment that would have the effect of requiring all large producers to pay the registration charge applicable to them, based on where their principal place of business is. Thus the proposal is that an English based producer who chooses to join a compliance scheme approved by one of the other agencies, would still be required to pay the Environment Agency registration charge. The reverse position would also apply, for example a Scottish based producer joining an Environment Agency approved compliance scheme, would be required to pay the prevailing Scottish Environmental Protection Agency (SEPA) EEE producer registration charge. The agencies would work with each other to facilitate the transfer of registration charges between them.

In considering any regulatory change a key outcome for Defra, will be to ensure that none of the agencies' cost recovery position is adversely impacted as a consequence.

This regulatory change would not remove the flexibility for a producer to join any UK approved compliance scheme.

Consultation questions

58. Do you agree with our proposed increases to large producer charges?

- Yes
- No
- Not applicable

If not, please explain why.

59. Do you agree with our proposed increases to AATF and AEs charges?

- Yes
- No
- Not applicable

If not, please explain why.

60. Do you agree with our proposal to introduce an annual subsistence charge for compliance schemes?

Yes

No

Not applicable

If not, please explain why.