



DES NEWS

Newsletter for the dairy sector Climate Change Agreement

Issue 4 September 2004

End of the Second Target Period

As you will know, we are now at the end of the second target period (1 October 2003 to 30 September 2004). It is your energy performance from this time period that is judged against the second target listed in your Underlying Agreement. Hopefully, now that we have all been through this process before, any issues would have been ironed out the first time round.

By now you will have received the template spreadsheet (and guidance) that should be completed by all sites that are part of the agreement. Once sites have completed the data collection spreadsheet they will know whether they have met this latest target or not.

If you have any questions regarding the spreadsheet, please contact Christine Rose on 020 7467 2634 or crose@dia-ltd.org.uk

Please email a completed spreadsheet to Christine by 30 November 2004.

Group Scheme for Verification of Surplus Allowances

It is envisaged that DES will organise a group scheme for sites that wish to have any surplus carbon dioxide (CO₂ allowances) generated, either at the end of the first or second target period, verified by an UKCAS approved verifier. Indeed, if a site will have passed both the first target period and the second, then both sets of data can be verified at once. Once the surpluses are verified they can then be sold on the open market, or banked for use by the site at a later date.

Verification does have the added benefit that your data will be checked by a qualified verifier and therefore, will be officially approved as accurate.

It is hoped that if a significant number of sites join this group scheme (approximately 30), then the costs of the excise would be dramatically reduced, possibly in the region of £800 per site. Therefore, this would enable sites that have as little as 250 surplus allowances to have their data verified.

DES is still at the early stages of discussing the details of such a scheme with a UKCAS approved verifier and once full details emerge then we will contact all members with those details.

Group Buying Scheme for Carbon Dioxide Allowances

It is our intension to set up a group buying scheme for sites that did not meet their second milestone targets. This group scheme proved highly successful at the end of the first milestone for 10 sites that needed to purchase smaller amounts of allowances with which to meet their target and therefore, stay in the scheme.

The benefits to members are that there are difficulties in purchasing a small number of allowances (less than 500 tonnes) from brokers, who are more used to dealing with blocks of 1,000 allowances. Also if a broker does agree to sell a small number of allowances then the brokerage cost can be extremely high. A further benefit to members is that all the work associated with contracts of sale, setting up of accounts, is borne by DES.

For information, the current cost of allowances is £3.50 - £4.50 per tonne. Please bear in mind that at the moment there may be little interest from sector with Climate Change Agreements (CCA) in buying allowances, because the majority of sites do not know how many allowances they may need, if any at all. However, there may be increased interest in buying allowances, post the end of the target

period (30 September 2004) when sites decide what to do, if they have a shortfall of allowances.

Robust Data

It is vitally important that data submitted in the second target period data collection spreadsheet is accurate, robust and auditable, as Defra will check these data in detail when they audit each site in the agreement over the next few years. Defra will want to audit all energy invoices, internal meter readings and management accounts for the production data.

Once the second target period data has been submitted to Defra at the end of 2004, it will be part of the audit programme. Therefore, when an audit is conducted by Defra, or indeed HM Customs & Excise, they will want to see all records that relate to the base year data, the first milestone data (1 October 2001 to 30 September 2002) and the latest data.

Any error in any of these three sets of data will have a knock-on effect to the other data sets. Defra has indicated that it will look very unfavourably on any facility that is found to have errors in their data during an audit.

We would advise that sites should once again reaffirm that all data that has, or will be submitted, is of the highest standard and without errors.

To reiterate, estimated data is not acceptable. However, if this was unavoidable for the base year data, then a sound method for calculating those data must be presented.

It is our advice that all data and background evidence (Copies of monthly invoices, production records) should be kept in an "Evidence Pack". So that if Defra, or HM Customs & Excise wish to conduct an audit at short notice then you will be confident that all the necessary data is in one place.

We are more than happy to come to your site and conduct a "mock" audit, to reassure both parties that those data are accurate.

If you have any questions or issues with your data, please do contact Gareth Stace on 020 7467 2602 gstace@dia-ltd.org.uk

Dairy Sector Climate Change Agreement – Review of Sector Targets

When all sector Climate Change Agreements (CCA) were negotiated between trade associations and Defra during 2000, it was always known that Defra reserved the right to review all sector targets this year for the 2006, 2008 and 2010 milestone targets. As we informed you earlier in the year, Defra wishes to impose on us an increase in all three future targets of 5% on top of the agreed savings. Following further discussions between DES and Defra this figure came down to 4.5%. However, DES stated to Defra that this level of increase on top of the future targets of 7.30%, 8.65% and 10.00% (2006, 2008 & 2010 target respectively), could not be achieved by our members.

DES stated that although a possible increase on the 2010 target of 4.5% may be reluctantly accommodated, such an increase on the 2006 is wholly impractical. DES therefore, offered Defra a step approach to the increase. After much wrangling Defra agreed to the following increase on the sector targets:

2006 target, an increase of 2.25% ($7.3 + 2.25 = 9.55\%$)

2008 target, an increase of 3.50% ($8.65 + 3.5 = 12.15\%$)

2010 target, an increase of 4.50% ($10.0 + 4.5 = 14.50\%$)

These agreed targets are in line with other comparable sectors' agreed targets.

It must be borne in mind that there will also be a review of the 2010 targets in 2008. Therefore, DES takes a view that the 4.5% increase in 2010 should be looked on as an aspiration, which will be revisited in 2008.

Defra has stated that it believes that there is scope for tightening targets, particularly since the "Improvement from the 2002 performance to the current 2010 target is only 1.6%".

DES is currently negotiating with Defra the means to deliver the sector targets, in that Defra does not require that all sites that are part of the scheme have their future targets amended. The proposal is that sites that have performed better

than their targets, without significant investment into energy saving measures, will have their targets tightened. Other sites also may be required to accept a small tightening in future targets also.

DES will contact sites early October with proposed revised targets.

Product Mix and Output Adjustment

At the end of the first Target Period, a number of sites that experienced a drop in throughput from the base year to the first target period used a Product Mix and Output Adjustment (PMOA) algorithm to change their target for the year. DES assisted the majority of the 18 sites that used PMOA at that time to draw up the necessary formulas.

Now that we are at the end of the second target period, DES is once again helping a number of sites with this procedure. All sites that wished to use this "Defra Concession", were required to submit to Defra (via DES) a pre-approval submission that set out the precise method that will be used once all data has been collected for the 12 months of the second target period by the end of July.

DES will continue to work with those sites in drafting their final submission, post the end of this target period.

Contacting DES

If there are any issues that have not been covered in this newsletter which you would like clarity on, or feel you would wish to discuss your Climate Change Agreement (CCA) in person, please contact DES for further guidance or indeed a site visit, as we would be more than happy to do this. Contact Gareth Stace (020 7467 2602, e-mail: gstace@dia-ltd.org.uk) or Christine Rose (020 7467 2634, email: crose@dia-ltd.org.uk) who will be pleased to help.

Your Contact Details

If this newsletter has been sent to the wrong person, or indeed, someone who no longer works for the company, we would ask that you

pass this newsletter on to the relevant person, who should contact us with the correct contact details.

Dates To Remember

Tuesday 30th November 2004

DES to receive energy & production data from all members for period 1st October 2003 to 30th September 2004.

January 2005

DES to send out first six month instalment of 2004 annual membership fees

1st April 2005

All members should review their PP10 & 11 forms to check they are still accurate, in terms of percentage of relief claimed.

1st October 2005

Start of the third Target Period.

Useful Links

DIAL www.dia-ltd.org.uk

CCA

DES Ltd: www.dairyenergysavings.co.uk

DEFRA:

www.defra.gov.uk/environment/ccl/intro.htm

Enhanced Capital Allowances: www.eca.gov.uk

Energy Efficiency

The Carbon Trust www.thecarbontrust.co.uk

Action Energy www.actionenergy.org.uk

DEFRA Energy Efficiency pages:

www.defra.gov.uk/environment/energy/index.htm

Energy Efficiency Best Practice Programme:

www.energy-efficiency.gov.uk

Envirowise: www.envirowise.gov.uk

Environment & Energy Helpline on 0800 585 794