## UK Council of Data Centre Operators

# Communication:
## EU Emissions Trading Scheme

February 2016

The EU Emissions Trading Scheme is a legislative instrument targeted at large Scope 1 emitters (ie organisations involved in the combustion of significant volumes of fuel such as electricity generators). The policy objective is not reflected in the criteria for participation, which are focused on combustion capacity rather than emissions. As a result, facilities with negligible emissions are captured. These facilities include data centres because they maintain standby generating capacity in the event of mains power failure. While these generators are test fired from time to time, they are hardly ever deployed and for all practical purposes cannot be used simultaneously with the primary power source (grid electricity). The sector is clearly not the intended target of the regulation and the current approach to implementation and enforcement is burdensome and delivers no beneficial outcomes. The UK Council of Data Centre Operators reviewed the implications of EU ETS for the sector and made the following observations:

**Inappropriate criteria for inclusion:** The EU ETS is targeted at large scale combustion. Data centres are not large scope 1 emitters. They are not the policy target and should be excluded from the scheme.

**Disproportionate compliance costs:** Data centre facilities captured are typically liable for carbon allowance costs in tens or in hundreds of pounds but compliance costs are frequently two orders of magnitude higher, often exceeding £10,000 **excluding** internal resource. (This is equivalent to paying car tax of £10 but being obliged to pay £1000 in order to register the car for tax and for someone to tell you what kind of car you have. This discrepancy would not be tolerated for consumers and is equally unacceptable for businesses.)

**It is problematic to apply robustly:** Because of the low volume of gasoil consumed by standby generators, it is extremely difficult to measure fuel consumption accurately enough to comply with the scheme requirements. (Consider turning your car around in the drive and expecting the fuel gauge to register the petrol consumed by the manoeuvre). This adds cost, uncertainty and liability.

**Inconsistent interpretation, implementation and enforcement:** The UK approach is out of line with regulatory approaches in other countries. This creates confusion and cost for operators with facilities in multiple member states.

**Negative policy outcomes**

The application of EU ETS creates perverse incentives and reduces efficiency:

- EU ETS encourages data centres to restructure their generator array – replacing fewer, larger generators with many small generators (less efficient and higher embodied energy).
- EU ETS discourages the consolidation of computing resource into purpose-built facilities that are more energy efficient and where energy use is transparent and accountable.
- EU ETS will discourage data centres from participating in Demand Side Response (DSR) schemes like STOR (these schemes address periods where peak demand exceeds supply)

**Urgent modifications required:**

1. At EU level, a more intelligent approach that distinguishes generating standby (eg a standby power station for supply to the grid) from emergency back-up supply in the case of mains power failure.
2. A *de minimus* threshold for the scheme below which sites are fully exempt (eg 5,000t $CO_2$, or 1,000t $CO_2$, with an "exceptional circumstances" or MBORC* provision)
3. At Member State level a pragmatic exemption scheme for low emitters introduced as soon as possible. The previous option for low emitters was inadequate. This scheme must remain open for new registrants during Phase IV.
4. A pragmatic approach by regulators when interpreting, implementing and enforcing this policy, especially with respect to very low emitters.

*MBORC: Matters Beyond Our Reasonable Control

## About the UK Council of Data Centre Operators

techUK's Data Centres Council comprises twenty individual members who represent the full spectrum of business interests and business models across the data centre sector. Members include wholesale and retail colocation providers, cloud and hosting operators and enterprise providers and range from multinationals to SMEs. Some members specialise in the provision of professional services to data centres such as lawyers, surveyors, investors and advisors, some manufacture the IT and communications hardware that occupy these facilities and others represent the data centre supply chain. The Council is a decision-making body providing strategic direction for all techUK's activity relating to data centres. Formal Terms of Reference provide governance for the group.

The Council was established in 2009 in conjunction with the British Computer Society (BCS). Its primary objective was to provide a representative voice for the sector in policy matters, particularly those relating to energy and carbon taxation. Over the last five years the Council has been responsible for delivering a number of significant outcomes for the UK data centre sector. These include negotiating a Climate Change Agreement for Data Centres, limiting the impact of the Carbon Reduction Commitment, building a certification framework to recognise professionalism in the sector, demonstrating the economic value of the sector to Treasury and BIS and demystifying data centres to policy makers across government. The UK has the largest data centre market in Europe by a significant margin and as a result the Council also takes a close interest in EU policy developments impacting the sector.

Comprising senior decision makers, the Council is the single most influential body representing data centres in the UK.

**Current members are:**

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| Andrew Jay (Chairman) | CBRE |
| Rob Coupland (Vice Chairman) | TelecityGroup |
| Ian Bitterlin (Chair of Technical Committee) | Critical Facilities |
| Derek Allen | Global Switch |
| Tony Allen (alternate: Billy McHallum) | Equinix |
| Mark Bailey | Charles Russell Speechlys |
| Jack Bedell-Pearce | 4D-DC |
| Allan Bosley (alternate: Pip Squire) | Ark |
| Robin Brown | Colt |
| Paul Cranfield (alternate: Patrick Coogan) | Digital Realty |
| Peter Gibson | Intel |
| Nicola Hayes | Andrasta |
| Matt Lovell | Pulsant |
| Gavin Murray (alternate Paul Smith) | Rackspace |
| John Oliver | Barclays |
| Dave Smith | DataCentred |
| Steve Strutt | IBM |
| Mark Trevor | Cushman and Wakefield |
| Mark Yearwood | CenturyLink |

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For further information see: http://www.techuk.org/focus/programmes/data-centres/groups/data-centres-council

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