

CCA for Data Centres

What is a CCA and what does it mean for the sector?

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What is a climate change agreement?

Climate change agreements (CCAs) are negotiated arrangements between government and energy intensive sectors. Around 50 sectors are already covered and the CCA scheme has been running since about 2001. In return for a reduction in some carbon taxes, participants are given energy efficiency targets. These targets are sector-specific so they can be focused exactly where they can deliver the most benefit. Because CCAs accommodate growth by focusing on energy efficiency instead of net reductions, they are particularly suited to drive efficiency improvements in sectors like data centres that are energy intensive, growing fast, and vulnerable to overseas competition.

The Data Centre CCA comes into force on 1st July 2014. Data centre businesses providing colocation space (both wholesale and retail) are eligible for the CCA in its current form. A facility will be classed as colocation if it houses third party computing assets (i.e. servers). Space used to house servers that provide corporate IT function for the operator is ineligible.

Implications for the UK Data Centre Sector

The CCA has major implications for the sector: These include:

1. **Formal recognition of the sector by Government**
2. **Greater investor confidence**
3. **Improved competitiveness**
4. **Increased consolidation**
5. **Improved energy stewardship**

1. Formal recognition of the sector by Government

The CCA is an important milestone for the UK Data Centre Sector because it is more than a tax concession. It is also formal recognition by government that the data centre sector exists and will be here for the foreseeable future, that it is important and that it is a significant contributor to the UK economy, to growth and jobs. The Chancellor has also recognised the importance of protecting future investment and growth by, at least partially, levelling the playing field for UK operators competing with their counterparts overseas. DECC (the Department for Energy and Climate Change) has demonstrated that they can design, adapt and deliver intelligent policy tools that can drive carbon reductions whilst encouraging growth. By so doing they also demonstrate that there is not always a binary choice between carbon and growth. The CCA adds some much needed stability to the policy landscape and also, with data centres now firmly on the policy radar, will set the scene for constructive policy dialogue going forward.

2. Greater investor confidence in the sector

The CCA provides a greater degree of policy certainty for those wishing to invest in the UK sector and for UK operators considering expansion. Data centres are eye-wateringly complex and expensive to build and those who do so need to know that the business model they invest in will be competitive in five, ten or fifteen years' time. The UK's complex and volatile climate change policy landscape created uncertainty and cost and acted as

What does the CCA mean for the UK Data Centre sectorcontinued

a barrier to expansion and inward investment. The CCA will encourage greater confidence in the UK as a location of choice for data centres.

3. Increased consolidation and outsourcing of IT function

The CCA will encourage the consolidation of computing resource from a “distributed” model (servers in cupboards and box rooms) into larger, purpose built, efficient facilities. This single act can reduce energy demand by two thirds. To some extent it will also encourage outsourcing to third parties as companies reviewing their IT estate consider what to do with their server rooms and distributed computing assets. Levels of outsourcing in the UK are relatively low compared to other markets due to three factors – historic lack of availability, the predominance of the financial services market and a cultural reluctance to move servers out of immediate control - usually described as “server hugging”. While the natural progression of the UK market is towards consolidation and outsourcing, the CCA is likely to accelerate this trend.

4. Improved competitiveness

With the capability to invest in energy efficiency measures, companies will be able to realise financial savings as their energy performance improves. This in turn improves competitiveness as they can deliver services to their customers at lower cost. They can also provide evidence of good energy stewardship (see below) which is increasingly becoming a requirement in procurements.

5. Better energy stewardship in the sector

To date, CCAs have delivered greater energy savings among participating sectors than conventional policy measures would have achieved. Data centres will be no exception. This is because the CCA really does change behaviour. A bespoke policy tool like a CCA can at first glance seem to run counter to perceived wisdom, which takes the view that increasing energy costs forces people to take steps to improve efficiency. But if this theory worked in practice we would not smoke, drink or drive and a Saturday night spent in Reykjavik proves beyond a shadow of a doubt that exorbitant taxes on alcohol do little to modify behaviour. Instead the CCA provides compelling incentives to improve efficiency through a simultaneous carrot and stick – tough targets while providing companies with the means to invest in efficiency measures. Improved energy stewardship in the UK data centre sector will be realised in the following ways:

- Greater transparency regarding the way that energy is used in the sector, dispelling the confusion that arises between power provisioning and energy use and from multiple site occupancy.
- Greater consistency in the way that PUE is measured in the sector because the CCA obliges a more standardised approach than is currently applied in the industry.
- Greater investment in efficiency measures because the rebate and incentives strengthen the business case.
- Behaviour change driven by bespoke targets that are designed to drive change where it is most needed and can be escalated if need be.
- Greater collaboration, innovation and best practice driven by the sector-based approach.

Further information

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To register interest in the scheme please contact techuk@clevy.com