

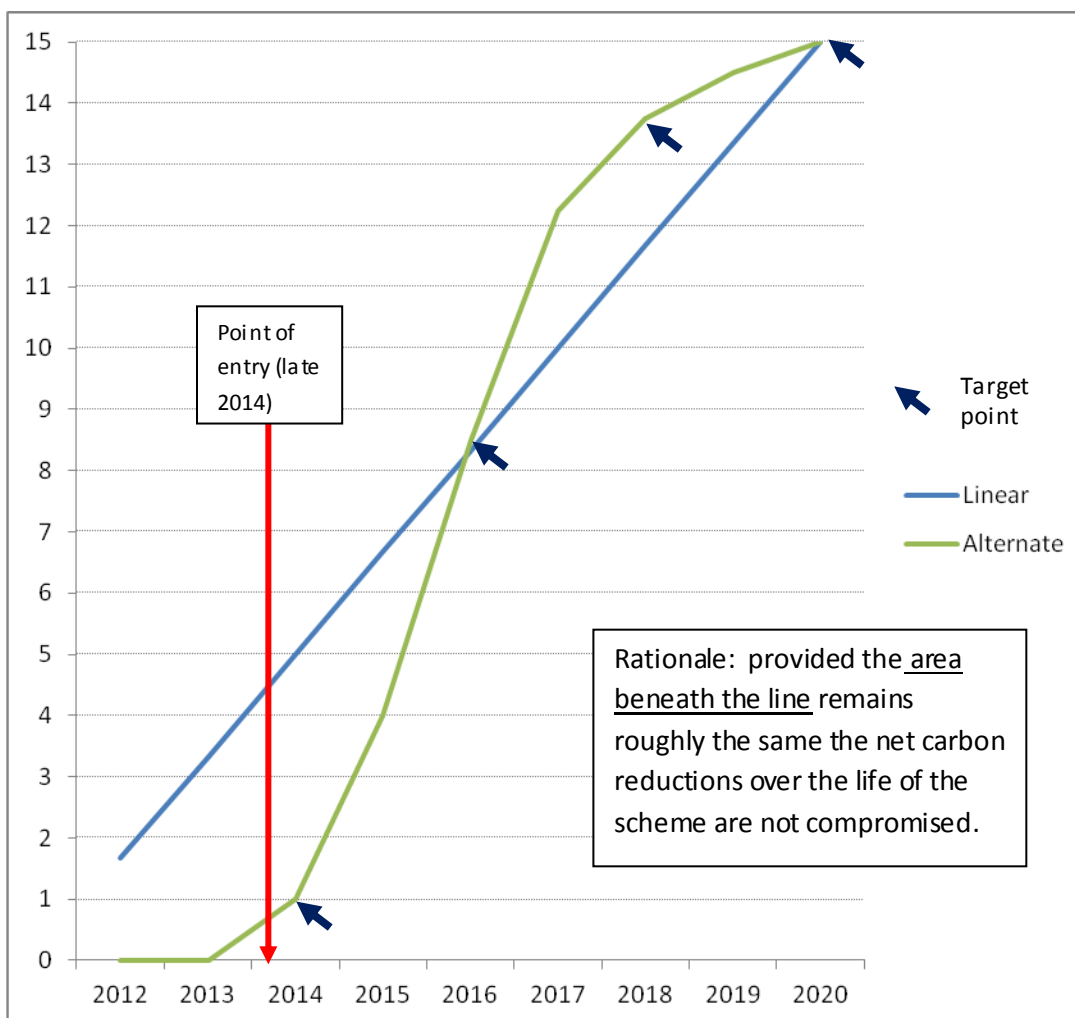
CCA for Data Centres

Why a non-linear target is appropriate for the sector

We propose that a non-linear series of targets for efficiency improvements in data centres would be most appropriate for the sector. We suggest that the series is loaded so that the most ambitious targets occur in the second and third target periods rather than the first and fourth. This approach will give the sector time to implement efficiency measures but will still deliver approximately the same net carbon reductions as a linear target. Our proposal is illustrated in the chart and our reasoning is explained below.

Chart of Proposed Target Profile

Our proposed target profile would look something like this



Our proposal

First target period: 1% (previously 5%)

Second target period: 8.33% (unchanged)

Third target period: 13.75% (previously 11.67%)

Fourth target period: 15% (unchanged)

Our rationale for a relatively low first target

We seek a low first target – 1% rather than 5% for the end of the first target period for the following reasons:

1. The data centre sector is joining the CCA scheme over three quarters of the way through the first target period. Companies registering as participants even at the earliest possible opportunity will only start being eligible for rebate in the latter half of 2014, towards the end of this first target period. Although these companies are already implementing measures that are cost effective, their obligations under CRC and CCL essentially tie up funding that could be used to make further investments in energy efficiency. Once they obtain the CCA discount the business case for implementing energy efficiency measures will be strengthened and that money can be reinvested. The outcome of that reinvestment will only just start being realised by the end of the first target period. Anything other than a low target for the first period would be unrealistic.
2. From an implementation point of view, major changes do not just need budget provision, they also rely on customer engagement and agreement, and this takes time, especially for retail colocation providers who may have many customers all with different service level agreements and expectations.
3. A low target for the first period also reduces the risk that companies could have to buy out carbon against this first target even though they ultimately meet their 2020 scheme targets.
4. A relatively low first target also avoids the risk of reputational damage for the sector and for the scheme: a lack of familiarity with the facts does not necessarily prevent third parties making observations and an unreasonable target in the first period may lead to comments either about the sector having failed at the first post or the scheme being ineffective in delivering its policy objectives. We would much rather avoid the possibility of its function being misunderstood and misrepresented in this way.
5. The data centre sector is new to the CCA scheme and there is a shortage of relevant data. There is a possibility that the true average 2011 PUE for the sector is higher than the baseline PUE chosen and there is a consequent risk that the targets could prove punitive. A cautious approach to the first target would provide the “least regrets” option all round.

Our rationale for stepping up the targets in the second and third periods

Rather than simply back-loading the targets we propose stepping up the targets in the second and third periods. We therefore propose to stay as close as possible to the second target at 8.33% but the third target we propose at 13.75% - above the 11.67% that would result from a linear target. This is to ensure that the total energy saved under the scheme is as close as possible to the total energy that would have been saved under a linear target (see chart). Our rationale for this is that:

1. A challenging target in the second period will focus minds in the sector and will accelerate the deployment of efficiency measures.
2. From a reputational point of view we ensure that the sector cannot be accused of weakening its obligations or reducing the requirements of the scheme by delaying its targets.
3. The Carbon objectives of the scheme are not compromised.

techUK contacts

If you have any queries, please get in touch:

emma.fryer@techuk.org Tel: 01609 772 137 / 07595 410 653

or alec.broadhurst@techuk.org Tel: 020 7331 2018