

## Communication: EU Emissions Trading Scheme (EU ETS) Phase IV

May 2018

The EU Emissions Trading Scheme is a cap and trade policy instrument to reduce carbon emissions. It is targeted at large Scope 1 emitters (i.e. sites combusting significant volumes of fuel such as power stations). Sites are obliged on the basis of combustion capacity. As a result, data centre facilities with negligible emissions are captured because they maintain standby plant in case of mains power failure. While these generators are test fired regularly, they are hardly ever deployed. The sector is not the intended target of the regulation and the current approach to implementation and enforcement is burdensome and delivers no beneficial outcome. Compliance costs dwarf allowance costs, sometimes by as much as a factor of 100:1.

techUK has worked with the Regulator to simplify compliance and has been lobbying for legislative change (in the form of a *de minimus* exemption threshold) since 2014. We were therefore delighted to learn that for Phase IV, which starts on 1 January 2021 and runs to 2030, provision has indeed been made for nation states to exempt ultra low emitters (those emitting less than 2,500 tonnes a year on average and/or operating for less than 300 hours). Ultra low emitters comprise 23% of ETS installations but only account for 0.08% of emissions. From a policy perspective this is hard to defend, so this reform is very welcome.

Our immediate priority is therefore to ensure that UK government applies the exemption in full, and in a way that is both robust and pragmatic. The previous “opt out scheme” for low emitters (under 25,000 tonnes) was wholly inadequate, and provided only the most limited exemptions, forcing installations like hospitals and universities into expensive and unproductive compliance procedures. We also want to keep access to the exemption open for the whole of Phase IV so that growth is not penalised.

We are therefore working with government and regulators to develop a robust process that is not burdensome, which will enable our operators and other ultra low emitters to demonstrate that they do indeed sit below the threshold. A number of factors make this feasible:

- The regulation allows exemption without the requirement to implement alternative efficiency measures, which reduces the burden of proof and degree of scrutiny required.
- There is appetite to reduce the burden on national authorities who regulate multiple small emitters for diminishing returns.
- Ultra low emitters currently obliged under ETS will have sufficient verified data to demonstrate that they are well below the required threshold.
- Installations that are new or are growing can provide evidence of their emissions status that is easily verifiable, such as:
  - Fuel purchase records subject to audit
  - Generator maintenance records
  - Generator run logs, capacity and load (to calculate emissions, a method approved by the Regulator for England and Wales (the Environment Agency) in January 2016 in preference to less accurate volumetric measurements)
  - Generator permit details (Environmental Permitting Regulations for MCPD and IED)

**The Council confirms its willingness to work with UK Government, relevant regulators, ultra low emitters and other stakeholders to define an appropriate solution.**

**In the event that the UK adopts a linked or standalone emissions trading scheme, we would seek a similar approach to exempt ultra low emitters from a domestic equivalent.**

## Further information on data centres and EU ETS

[Technical Briefing Note \(2017\): Emergency Generation in Data Centres](#)

[Explanatory Note \(2017\): Power Provisioning vs Energy Consumption](#)

[Low Emitters Workshop with DECC, April 2016](#)

[Council Communication \(2016\) EU ETS and Data Centres](#)

[Calculating Gasoil Consumption by Data Centre Standby Plant \(2016\)](#)

[Sector Briefing \(2014\): Clarifying ETS Obligations](#)



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## 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 and some manufacture the IT and communications hardware that occupy these facilities. 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 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. For further information see:

<http://www.techuk.org/focus/programmes/data-centres/groups/data-centres-council>

## About techUK

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. More than 900 companies are members of techUK. Collectively they employ approximately 800,000 people, about half of all tech sector jobs in the UK. They range from leading FTSE 100 companies to new innovative start-ups. The majority of our members are small and medium-sized businesses.

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