

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** CONSULTATIONS AND POLICY UPDATE

**REPORT OF:** MANAGING DIRECTOR

**FOR SUBMISSION TO:** AUTHORITY MEETING

**DATE:** 30 JULY 2024

**SUMMARY OF REPORT:**

This report provides an update on national policy developments and consultations, and an update on NLWA's strategy development. Specifically, the report provides updates on:

1. The Emissions Trading Scheme consultation
2. The General Election

**RECOMMENDATIONS:**

The Authority is recommended to note the updates provided in the report.

**SIGNED:**  ..... Managing Director

**DATE:** 18 July 2024

## **1. INTRODUCTION**

- 1.1. This paper provides an update for Members on Government consultations and policies that are relevant to the Authority and have the potential to affect the Authority's operations, performance and/or costs.

## **2. EMISSIONS TRADING SCHEME CONSULTATION**

- 2.1. The Department for Energy Security and Net Zero is currently consulting on the expansion of the UK Emissions Trading Scheme (ETS) to Energy from Waste (EfW) and waste incineration. This consultation was launched under the previous Government on 23 May.
- 2.2. The ETS is a 'cap and trade' scheme which seeks to reduce fossil Greenhouse Gases (GHG) in energy intensive sectors. A cap is set on the maximum permitted level of GHG emissions across specified sectors, which is then progressively reduced over time. The ETS issues allowances up to the cap for each unit of CO<sub>2</sub>. As the cap falls, the cost of allowances should rise – so stimulating investment in reducing GHG emissions.
- 2.3. Government intends to expand the scheme to include waste incineration and EfW. The purpose of the consultation is to provide more detail and gather feedback on how these proposals will be implemented. Specific topics addressed in the consultation documents are:
  - 2.3.1. the scope of the scheme, including which activities are covered, thresholds for inclusion and exemptions
  - 2.3.2. participating in the scheme, including requirements for operators, monitoring, reporting and verification and guidance
  - 2.3.3. impacts of the scheme and risks, including diversion of waste to landfill and waste export, decarbonisation pathways for customers, cost pass through to customers and equality considerations
  - 2.3.4. how to adjust the UK ETS cap for waste
  - 2.3.5. how the UK ETS could potentially incentivise investment in heat networks.
- 2.4. Officers are proposing to submit a response highlighting specific concerns about the proposals, some of which are discussed below. Officers are also working with borough officers to support individual responses from each borough.
- 2.5. The scheme could potentially place significant costs on local authorities – our current estimates suggest that ETS costs for NLWA could range from £14-35 million per year depending on the price of carbon allowances. With NLWA currently

managing over 550,000 tonnes of residual waste, it would be necessary to secure between 200,000 and 250,000 tonnes of carbon permits to cover the emissions which are expected to be in scope of the ETS. Due to the market system, carbon prices can fluctuate significantly, and this uncertainty brings additional risk for local authority finances. Government has not yet confirmed a method for passing costs from EfW operators to individual authorities, so officers cannot accurately predict specific levy increases at this point. Under NLWA's funding arrangements, the ETS cost would cause a direct and equivalent increase in levies to boroughs. In total, the cost of ETS related to local authority waste across the country is likely to be of the order of £1 billion. This would therefore represent an additional pressure to be absorbed in local authority finance.

- 2.6. The logic of an ETS is that it incentivises carbon reduction activities. However, while costs would fall on local authorities, there is no credible route to decarbonise our waste streams. Decarbonisation technologies such as Carbon Capture and Storage (CCS) have yet to demonstrate full financial viability in the UK and may not be an option for many smaller-scale or isolated facilities. Pre-treatment of residual waste to remove fossil content is expensive, difficult to implement at scale, and would result in only modest amounts of waste being extracted for recycling – local authorities would therefore have the costs of pre-treatment and a barely mitigated ETS liability. The consultation also proposes public awareness campaigns and Defra's collection and packaging reforms as routes to decarbonisation, but neither of these are likely to have the level of impact required to offset the potential costs of ETS. Indeed, initiatives such as the deposit return scheme and extended Producer Responsibility - which could provide some carbon benefits – have been consistently delayed.
- 2.7. As local authority levers for reducing carbon in waste are so limited, costs and incentives should instead target product designers and producers who are most responsible for the fossil content of waste. Current proposals would effectively be an 'end-of-pipe' tax rather than tackling fossil carbon embodied in products during manufacture.
- 2.8. The Government has so far not produced an impact assessment to show the extent of costs expected to apply to local authorities and the effects this could have on finances and wider public services. There also remains a lack of detail on important features of the scheme, such as methodology for data collection or passing through costs. This makes it difficult to predict impacts and plan for implementation.
- 2.9. It is proposed that a monitoring, reporting and verification period would apply from 2026, before full cost exposure from 2028. Officers are concerned that this timing gives local authorities limited time to prepare for the scheme and does not allow for development of carbon capture projects which could be a key tool for meaningful decarbonisation of waste disposal. There will also be limited time to implement and understand the impacts of Defra's waste reforms before ETS costs

are applied. This is one of several ways the proposals appear uncoordinated with waste policy from other departments.

- 2.10. NLWA is presenting these issues to Government in its consultation response and is working with others in the sector to provide a strong and coordinated voice for local authority waste disposal. Officers are contributing to the drafting of a response from the National Association of Waste Disposal Officers, and have engaged with ReLondon, the Local Authority Recycling Advisory Committee, London Councils, the Local Government Association and other waste disposal authorities on their responses.

### **3. GENERAL ELECTION**

- 3.1. Following the General Election on 4 July, the Labour Party have formed a new government after winning a majority. The Members of Parliament elected to represent north London constituencies comprise 15 Labour MPs, 1 Conservative MP and 1 Independent MP. Of those 17 MPs, 13 were re-elected and four are MPs new to the House of Commons.
- 3.2. Officers are monitoring relevant announcements from the new Government:
  - 3.2.1. Chancellor, Rachel Reeves, delivered a speech setting out details of policies to relax planning rules and promote development. This includes giving “priority to energy projects in the system to ensure they make swift progress” and setting out “new policy intentions for critical infrastructure in the coming months, ahead of updating relevant National Policy Statements within the year.”
  - 3.2.2. The Government launched the National Wealth Fund (NWF). The intention is to deploy £1bn of public funding for carbon capture (among other things), with a target to attract £3 of private funding for every £1 of public funds put in the NWF.
  - 3.2.3. The Labour Party general election manifesto committed to reducing waste by moving to a circular economy, and the new Environment Secretary, Steve Reed, has reiterated this. He stated that ‘creating a roadmap to a zero waste economy’ was second in his priorities for his department.
  - 3.2.4. Ed Miliband, Secretary of state for the Department of Energy Security and Net Zero welcomed the appointment of Chris Stark (former Chief Executive of the Climate Change Committee) to lead a clean energy taskforce called 'Mission Control' which has been tasked with accelerating progress on energy projects and boost energy independence.
  - 3.2.5. The King’s Speech – which took place at the state opening of Parliament on 17 July - outlined a list of forty Bills the new Government hope to

introduce during this parliament. This includes: the 'Great British Energy Bill' to create Great British Energy, a publicly owned company, which among other things will deploy local energy production to benefit communities; the 'National Wealth Fund Bill' to create a fund of the same name and will invest £1bn in Carbon Capture (among other things); and the re-introduction of the Tobacco and Vapes Bill.

- 3.3. Officers are monitoring the progress of some relevant legislation through Parliament which was affected by the election:
  - 3.3.1. Secondary legislation relating to the Simpler Recycling reforms was paused. Subject to decisions of the new Government, this may continue progress in the new Parliament.
  - 3.3.2. The Tobacco and Vapes Bill, which would have enacted the proposal to ban disposable vapes, did not pass before Parliament was dissolved.
- 3.4. The Chair has written letters of congratulation to elected MPs in the north London area and to relevant Ministers highlighting policy priorities for the new Government in relation to waste management.
- 3.5. The letters highlight NLWA's eagerness to work with the new Government to support their manifesto commitment to move to a circular economy and outline what immediate steps the Government must immediately take to this further this aim. The letters also outlined how the Authority's delivery model – owning LondonEnergy Ltd who provide services for public benefit rather than private shareholders – is highly comparable to the plans for Great British Energy. The Authority would be happy to brief on experience in this environment.
- 3.6. Alongside sending these letters, NLWA's asks of the new Government were outlined in a press release which was picked up and published by Circular Online.

#### **4. EQUALITIES IMPLICATIONS**

- 4.1. There are no equalities issues arising from this report.

#### **5. COMMENTS OF THE LEGAL ADVISER**

- 5.1. The Legal Adviser has been consulted in the preparation of this report and comments have been incorporated.

#### **6. COMMENTS OF THE FINANCIAL ADVISER**

- 6.1. The Financial Adviser has been consulted in the preparation of this report and comments have been incorporated.

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