



# Charging proposals 2014 - 2015 Summary of consultation responses

February 2014

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**We operate at the place where environmental change has its greatest impact on people's lives. We reduce the risks to people and properties from flooding; make sure there is enough water for people and wildlife; protect and improve air, land and water quality and apply the environmental standards within which industry can operate.**

**Acting to reduce climate change and helping people and wildlife adapt to its consequences are at the heart of all that we do.**

**We cannot do this alone. We work closely with a wide range of partners including government, business, local authorities, other agencies, civil society groups and the communities we serve.**

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## 1. INTRODUCTION

We are required to consult on our charging proposals and take account of responses before making a submission to government to approve changes to our charging schemes.

We used the Environment Agency's e-consultation tool to run the public consultation which in line with the government's revised consultation principles ran for 12 weeks from 27 September to 20 December 2013. Throughout the consultation period the consultation document and annexes and response form were available on our website. These pages are still available to view at:

<https://consult.environment-agency.gov.uk/portal/hofinance/charges2014/charges2014>

When the consultation went live we e-mailed interested parties to notify them about the link to the document and the closing date. We also carried out additional mail shots to ensure that people interested in our abstraction proposals in particular were aware of our consultation. The e-consultation tool allows consultees to submit their comments on-line or alternatively by email or in writing.

We received a total of 95 responses; a list of respondents is available in Appendix 1.

### Our proposals

For 2014/15 our charges consultation focused on the following items:

- A proposed increase of 2.7% on EP Installation and Waste Facility charges
- Two options in respect of abstraction licences that currently do not attract subsistence charges; either introduce subsistence charges or introduce a higher application charge (£1,500)
- A limited suite of five technical changes to EP charges
- A minor change to the EU Emissions Trading System

Details of our proposals for baseline changes are given in **Section 2**. Proposals for our general Environmental Protection and ETS charges are given in **Section 3** and for our Abstraction proposals in **Section 4**. Details of the responses received are given in **Appendix 1**, together with a summary of our comments. Further information on our justification to increase our charges for EP Installations and Waste Facilities is given in **Appendix 2**. Our comments to responses to our proposed technical changes to the EP Charging Scheme are given in **Appendix 3**.

## 2. BASELINE CHARGES

During 2011 we set out our three year charging strategy for 2012-15. We proposed to keep our baseline charges unchanged in the first two years and review the position in year three. (This also followed only a 1% increase in 2010/11 and no increase in 2011/12.) This also followed only a 1% increase in 2010/11 and no increase in 2011/12.

The certainty and stability that our strategy provides for our customers was strongly supported at the time. In the past two years we have adhered to that commitment and not increased charges.

We routinely monitor closely our income versus expenditure on a regime by regime basis, using efficiency savings to offset costs pressures. In preparing our consultation we were able to confirm that for the majority of our regimes, e.g. standard Water Abstraction charges, EP Water Quality, Groundwater, Radioactive Substance Regulation and our Trading Schemes, we proposed no increase for 2014/15.

However, there were specific cost pressures relating to EP Installations and EP Waste Facilities which led to expenditure exceeding income (a deficit balance) in the short and medium term (despite our ongoing efficiency savings measures). We therefore proposed to increase our baseline charges for these regimes by 2.7%, i.e. the rate of CPI at the time of consulting.

This proposal received 16 negative and 8 supportive responses. Many of the negative responses were based on a misunderstanding of the justifications around this increase. Given the pressures on charge balances for these regimes, we strongly believe that this increase is both justified and necessary – see Appendix 2. The impact of these proposals on charge payers is reviewed in Appendix 3.

Last year the government issued a challenge to all Arm's Length Bodies to reduce their charges by 5% against a 12/13 baseline. We have met this by freezing of charges (on a like for like basis) which has more than accounted for this reduction.

## **ENVIRONMENTAL PROTECTION CHARGES**

### Summary of Technical Changes

This section covers proposed charges for:

- Environmental Permitting (EP) Scheme
- EU Emissions Trading System (EU ETS)

Environmental Permitting (EP) Scheme technical changes

The proposed changes to the EP Charging Scheme are:

- Proposed changes to Opra complexity bands due to IED
- Clarification on the variation charge
- Introduction of new R1 assessment charges
- Introduction of new assessment charges for recovery or disposal
- Introduction of new capped charge for sites at pre-construction

These technical proposals to the EP Charging Scheme mainly concerned new or additional charges to cover specific tasks and affecting only specific sets of operators. We believe that the proposed changes more accurately target the charge to the service being provided.

The level of responses was very low and very mixed with some people misunderstanding our proposals. Given the need to recover costs, and that our proposals target charges on those benefiting from the service, we propose to proceed with these changes.

Minor change to the EU Emissions Trading System

This proposal was to remove the exemption from charges relating to Least Developed Countries from April 2014 and brings us in line with what is happening in the rest of the EU.

## **ABSTRACTION CHARGES**

Due to forthcoming regulations (to ensure we meet Water Framework Directive requirements) some 4,000 or so activities that are currently exempt will need to apply for an abstraction licence. Under the existing charging scheme these, and a number of other abstraction licence types, only attract a one off £135 application charge. This is far less than our costs of processing an application. Furthermore, at present these activities would not incur ongoing subsistence charges. Therefore if we continued with the current charging arrangements we would face a significant unfunded liability.

Our proposal was to either to introduce a new higher application charge of £1,500 or introduce subsistence charges for all abstraction licences that do not pay subsistence charges.

We wished to ensure that as far as possible all parties likely to be affected were aware of our proposals, particularly the abstraction ones. Currently activities such as hydropower do not incur subsistence charges. Therefore in addition to our normal arrangements of alerting key stakeholders of the launch of the consultation we undertook targeted mail shots to around 240 licence holders and umbrella organisations. A consequence was a significant number of responses from the hydropower sector.

Our proposal was that the new higher application charge is applied consistently on new applications (and on applications to vary a licence) across all abstractions where there is no ongoing subsistence charge; this includes transfer abstraction licences, impoundment licences and full abstraction licences for water abstracted for power generation of a capacity of not more than 5MW. The proposal also applies to abstraction licence renewals for these licence types. We recommend that renewal applications on a same terms basis would be at the lower application charge of £135 however all other types of renewals (more complex) will be at the higher application charge.

The level of response from those who did not express an interest in hydropower was low and very mixed but the most support was for our preferred option (the higher application charge) which we believe to be the most appropriate and easier to implement.

There was a strong response from hydropower operators requesting that they be considered as a special case. However, we continue to incur significant costs from this sector with minimal income and this needs addressing. It would be more consistent with Managing Public Money to apply such an application across all those who do not pay a subsistence charge and avoid an element of not having full cost recovery.

## **NEXT STEPS**

Responses to this consultation have been integral to the submission to government for approval of our charging schemes for 2014-15. Once approved our charging schemes and guidance will be published on our website and will take effect from 1 April 2014.

## SUMMARY OF RESPONSES TO OUR PROPOSALS

We wished to ensure that as far as possible all parties likely to be affected were aware of our proposals, particularly the abstraction ones. Currently activities such as hydropower do not attract subsistence charges. Therefore, in addition to our normal arrangements of alerting key stakeholders of the launch of the consultation we undertook targeted mail shots to around 240 licence holders and umbrella organisations. A consequence was a significant number of responses from the hydropower sector.

The responses to our proposals can be separated into two distinct groups; those with only an interest in hydropower activities, and others. Of the 95 responses 62 expressed an interest in hydropower and generally only responded to the questions relating to abstraction and marked all the other proposals as “not applicable”. The remaining 33 respondents generally provided a view and/or comments across the range of proposals. As a result of the above split, and to avoid any misinterpretation or skewing of figures, the analysis in this appendix is divided into two sections reflecting the two groups of respondents.

Full responses to the baseline increase.

There were 16 negative and 8 supportive responses from those that commented on our proposed baseline increase of 2.7% for EP installations and waste facilities. Several respondents were concerned at the justifications given for this increase and in particular they questioned if it was correct to include IT costs and questioned the costs related to the Smarter Environmental Regulatory Review (SERR) Programme and the move to gov.uk. The use of CPI as a mechanism for assessing the increase was also questioned and the fact that CPI is now at 2.1% was noted by some.

We believe it is correct to include IT costs as under Managing Public Money such costs should be included. While SERR should reduce the amount (and hence costs of guidance in the longer term) there are initial set up cost to be recovered. Additionally, our installation customer base and income is reducing and therefore these fixed costs will be spread over a smaller number of permits than in previous years. Some further explanation of these issues is given in Appendix 2.

Full responses to the abstraction proposal

There was a largely negative response to the proposals for charging for abstraction licences that currently incur no subsistence charge. Of the 33 responses, 5 indicated that this topic was not applicable to them and 5 others said that they “did not know” which option was preferable. Option 2b (the higher application charge) received the strongest support (10 supported this) but these included many negative comments, such as, this was the least worst of the options and that £1,500 was too high for an application charge. Option 2a (the introduction of subsistence charges) received minor support (6 supported this) and only 3 responded that neither option should be introduced. Four respondents (mainly from angling sector) indicated that both options should be introduced.

Full responses to the technical proposals

The technical proposals to the EP Charging Scheme mainly concerned new or additional charges to cover specific tasks and affecting only specific sets of operators. So it is perhaps not surprising that there was mixed responses to these. The following table provides a snapshot analysis; it is a subset of the main table shown below.

<b>3. Environmental Permitting Scheme</b>	<b>Positive</b>	<b>Negative</b>	<b>% of 33</b>
<b>3a. Proposed changes to Opra complexity bands due to the Industrial Emissions Directive (IED)</b>	<b>10</b>	<b>6</b>	<b>48%</b>
<b>3b. Clarification on the variation charge</b>	<b>4</b>	<b>10</b>	<b>42%</b>
<b>3c. Introduction of new R1 assessments</b>	<b>4</b>	<b>7</b>	<b>33%</b>
<b>3d. Introduction of new assessment charges for recovery or disposal</b>	<b>4</b>	<b>7</b>	<b>33%</b>
<b>3e. Introduction of new capped charge for sites at pre-construction</b>	<b>14</b>	<b>4</b>	<b>55%</b>

It must be noted that the positive/negative results are marginal in each case and largely represent less than 50% of the 33 respondees with the remainder expressing either a “don’t know” or “not applicable” response.

Responses from those with an interest in hydropower

The responses from the group with an interest in hydropower were strongly against both options relating to charging for abstraction licences. When pressed for a preference 24 opted for the application charge (option b) and only 4 for subsistence charges (29 said “neither” although this was not a choice made available on the response form). Of the 24 that opted for the higher application charge many added a caveat that £1,500 was too high and that there should be a sliding scale of charges.

It is worth noting that under current legislation hydropower schemes below 5MW are exempt from subsistence charges so option (a) to introduce subsistence charges would only apply if they generate 5MW or more.

**ANALYSIS OF RESPONSES TO ENVIRONMENT AGENCY CHARGING PROPOSALS 2014/15**

Responses from others (33)	Positive	Don't know	Not applicable	Negative
1. Baseline increase	8	2	7	16
2. Abstraction charges (see below)				
3. Environmental Permitting Scheme	Positive	Don't know	Not applicable	Negative
3a. Proposed changes to Opra complexity bands due to IED	10	3	14	6
3b. Clarification on the variation charge	4	9	10	10
3c. Introduction of new R1 assessments	4	6	16	7
3d. Introduction of new assessment charges for recovery or disposal	4	4	18	7
3e. Introduction of new capped charge for sites at pre-construction	14	3	12	4
4. EU Emissions Trading System				
4a. Removal of exemption on projects based in a least developed country	7	7	18	1

Responses from those with an interest in hydro-power (62)	Positive	Don't know	Not applicable	Negative
1. Baseline increase	7	0	53	2
2. Abstraction charges (see below)				
3. Environmental Permitting Scheme	Positive	Don't know	Not applicable	Negative
3a. Proposed changes to Opra complexity bands due to IED	0	2	60	0
3b. Clarification on the variation charge	2	0	57	3
3c. Introduction of new R1 assessments	0	0	60	2
3d. Introduction of new assessment charges for recovery or disposal	0	1	61	0
3e. Introduction of new capped charge for sites at pre-construction	0	3	59	0
4. EU Emissions Trading System				
4a. Removal of exemption on projects based in a least developed country	2	0	60	0

For our abstraction proposals we provided two options and asked for preferences between:

- (a) introducing subsistence charges to licences where they previously they did not apply or
- (b) introducing a new higher application charge of £1,500.

2. Abstraction charges	Option 2a	Option 2b	Neither	Both	Don't Know
Responses from people with an interest across all proposals (33)	6	10	3	4	10
Responses from those with an interest in hydro-power (62)	4	24	29	0	5

LISTING OF CONSULTEES WHO RESPONDED TO THE 2014/15 CONSULTATION.

Company		Hyd *	CPI increase	Abstraction proposals	EP Technical changes					EU ETS
			Q1	Q2	3 a	3 b	3 c	3 d	3 e	4a
1	Ampair Energy	*		✓						
2	Andrew Weeks	*		✓						
3	Angling Trust			✓						
4	ANF Consulting	*		✓						
5	Anglian Water		✓	✓	✓	✓	✓		✓	✓
6	Anthony Myers			✓						
7	Association of Drainage Auth's			✓						
8	Association of Inland Navigation Auth		✓	✓	✓	✓	✓	✓	✓	✓
9	BSpoke ewaterpower	*	✓	✓						
10	BEIC – Malcolm Sharp	*	✓	✓		✓			✓	
11	Beneco Energy	*		✓						
12	Bluenergy – E Henshaw	*		✓						
13	British Hydropower Association	*		✓						
14	British Poultry Council		✓			✓				
15	Canal River Trust		✓	✓						
16	Caryn Loftus	*		✓						
17	Christopher Brett	*		✓						
18	CIA		✓	✓	✓	✓			✓	✓
19	Colin Mather	*		✓						
20	Community Hydro Forum	*		✓						
21	Cotswold Canals Trust									
22	Craig Taylor	*		✓						
23	Cymric Ltd	*		✓						
24	David Kerr		✓	✓	✓	✓	✓	✓	✓	✓
25	Derwent Hydro Developments	*		✓						
26	Dinham Millenium Green Trust	*								
27	Dr Deborah Trebilco		✓	✓						
28	Dr Edward Chapman	*		✓						
29	Dr Hugh Pratt	*	✓	✓						
30	Dr Michael Ford	*		✓						
31	Dr Robert Heath	*		✓						
32	Dr Rupert Gabriel	*		✓						
33	Dr S Larkin	*		✓						

34	Dr Tobias Coe	*		✓						
35	Ellergreen Hydro	*	✓	✓						
36	Energy UK		✓	✓	✓	✓			✓	✓
37	Engenius	*		✓						
38	ESA		✓		✓	✓	✓	✓	✓	
39	George Winn-Darley		✓	✓						
40	Gilkes Energy	*		✓						
41	Greg Beedle			✓						
42	Ham Hydro	*	✓	✓	✓	✓	✓	✓	✓	✓
43	Herefordshire Hydro Group	*		✓						
44	Ian Jackson	*		✓						
45	ICE Wales Cymru		✓	✓	✓	✓	✓	✓	✓	✓
46	Iwood Manor		✓	✓	✓	✓	✓	✓	✓	✓
47	James Booth	*		✓						
48	Jamie Needle	*		✓						
49	Jeremy Thorp	*		✓						
50	Jo Beaumont	*		✓						
51	John Burnett	*		✓						
52	Keith Wheaton Green	*		✓						
53	Lafarge Tarmac			✓			✓	✓	✓	✓
54	Leicester CC		✓	✓	✓	✓			✓	✓
55	Lincoln Water Transfer		✓	✓	✓	✓	✓	✓	✓	✓
56	Mann Power-Consulting	*		✓						
57	Martin Tarrant	*		✓						
58	Mendip Power Group	*		✓						
59	Micro Hydro Assoc	*		✓						
60	Mike Godsell	*		✓						
61	Mike Loftus	*		✓						
62	Mike Pauley	*		✓						
63	Mineral Products Association			✓		✓			✓	
64	NAWDO		✓	✓	✓	✓			✓	✓
65	New Mills Engineering	*		✓						
66	NFU		✓	✓		✓	✓		✓	
67	North Wales Hydro Power	*		✓						
68	Northumbria Water			✓				✓	✓	✓
69	Oil Recycling Association		✓			✓	✓			
70	Peter Hill	*		✓						
71	PICO Energy	*		✓						
72	Potential Energy Projects	*		✓						
73	Renewables First	*		✓						

74	Rhys Lewis	*	✓	✓						
75	River Energy Networks	*		✓						
76	Robert Morris Eyton	*	✓	✓						
77	RWE Npower Renewables	*		✓						
78	Salmon and Trout Association			✓						
79	Sarah Stead		✓	✓						
80	Settle Hydro	*	✓	✓	✓	✓	✓		✓	✓
81	Severn Trent Water		✓		✓	✓		✓	✓	
82	Silvy McQuiston	*		✓						
83	Society of Motor Manufacturers & Traders		✓		✓	✓			✓	
84	South Somerset Hydropower Group	*		✓						
85	SPAANS	*		✓						
86	Stephen Hall		✓	✓	✓	✓	✓	✓	✓	✓
87	Stour and Vale Hydro Group	*		✓						
88	Thames Water		✓	✓	✓	✓	✓	✓	✓	
89	Thomas Bradley	*	✓	✓						
90	UK Steel		✓			✓				
91	United Utilities Water		✓	✓	✓	✓	✓	✓	✓	✓
92	Upwey Hydro power			✓						
93	Veolia			✓	✓	✓	✓	✓		
94	William Cartwright Hignett	*		✓						
95	Yorkshire Water		✓	✓	✓	✓	✓	✓	✓	✓

\* denotes a specific interest in hydropower activities.

✓ denotes a view expressed

### PROPOSED CPI INCREASES

There were 18 negative responses to our proposal to increase our baseline charges for EP Installations and EP Waste Facilities by 2.7%, i.e. the most recent (September) rate at the time of publishing our charges consultation. Many indicated that they did not support the proposed increase but added no explanation; those who commented generally made the following points:

- That IT costs were not appropriate to include in our charges.
- Costs associated with the government's Smarter Environmental Regulation Review (SERR) to improve our guidance should reduce our costs.
- That if any increase should take place it should be more widely applied and not just to the two regimes mentioned.
- That CPI is not the appropriate mechanism for basing charge increases upon and that the latest published rate is now 2.1%.
- Our explanation in response to those comments is as follows:

#### IT costs not justifiable to include in charging

A number of responses questioned the inclusion of costs for upgrading or maintaining IT systems in our charges. Such costs are allowed for in the Treasury's "Managing Public Money" guidance, which requires that charges should recover the full cost of the service.

It is correct that the initial cost of a major IT asset is paid for out of Grant in Aid, but once the asset is created it is placed on our asset register and the ongoing costs are recovered through depreciation and rate of return element in the charges that the IT system supports.

#### Smarter Environmental Regulation Review (SERR)

The SERR programme covers simplification of our advice and guidance on environmental permits and associated charges. As part of this we are also moving our entire Environment Agency web based content on the central government web portal – GOV.UK.

In the short to medium term this should reduce and simplify our current web based content, and is intended to move guidance away from pdf style documents and more to web pages. However such restructuring of our guidance and meeting the new standards set by government's SERR and GOV.UK programmes requires effort and corresponding set up costs. A significant proportion of our current web based content is dedicated to waste activities and installations because:

Waste covers such a large range and type of activities and we often need to explain what is and what isn't waste.

Installations covers multimedia control of the most complex and high risk activities, therefore, our guidance must be suitably detailed.

We have a duty to comply with government accounting rules so as to ensure that appropriate funding is targeted at the beneficiaries of the service rather than the cost being unfairly spread over the general population as taxation.

#### Targeting the proposed increase to EP Installations and EP Waste Facilities

Whilst it is true that costs relating to IT and SERR are applicable across all of our charging regimes, the highest incidence of these costs fall to EP Installations and EP Waste Facilities. This is because of the complexity of these regimes and the systems that support them (and associated costs of maintaining them) and the large volume of technical guidance that we provide for these regimes compared with others. Further, at the end of the IR programme the costs were reallocated in a different way across regimes leading to a higher incidence on EP Installations and EP Waste Facilities than previously. Therefore, we face differential cost pressures across our regimes and for EP Installations and EP Waste Facilities it is a worsening position.

The reason why we have quoted SERR as a prime example of a significant additional cost pressure for 2013 and 2014 is because of the time and resource we estimate it will take to convert the many guidance documents that we have developed over many years into a format and structure that is acceptable for the government's SERR and GOV.UK programmes.

We are required to recover our costs taking one year with another. Following agreement with the National Audit Office (who verify our accounts) and HM Treasury we address this through monitoring the balances on our charging schemes to demonstrate to government and auditors that our charges are sufficient to cover the costs of permitting and regulation of environmental permits. Where our costs are increasing, and this increase cannot be offset by efficiency savings, then those charging schemes will run into a deficit position, which if left unchecked is unacceptable.

Our ongoing efficiency savings programme has enabled us to keep charges unchanged for the majority of our charging regimes. (We have increased our baseline charges by just 1% since 2010/11 mainly by reducing our back office costs.) But the additional cost pressures (mentioned above) more heavily fall to EP Installations and EP Waste Facilities as is demonstrated by these regimes going further into a deficit balance. This will increase in future years unless we introduce an increase in charges at this stage.

In addition, adhering to the recommendations of the Penfold Review to process permit applications more promptly and within 13 weeks provides an additional and ongoing cost pressure that also impacts upon our balances and needs to be taken into account regularly.

#### CPI rate

Some respondents questioned the use of CPI as a measure of inflation and a suitable figure for our increase in charge for Installations and Waste. The Treasury supports us using the CPI rate consistently as a measure of inflation and a basis for calculating charge increases. It has been our practice over many years to use the latest

available rate in the charges consultation to give certainty to those we are consulting. The latest figure was the September rate (2.7%).

However the important issue is that when we introduce charge increases they are at a level that ensures our charging scheme accounts are in balance. We are proposing a 2.7% increase, which aligned to the CPI rate in September. This we believe offers a reasonable balance between finding further efficiency savings and additional income to address the balances issue. We also suggest it represents not too great a burden to our charge payers, especially after keeping charge levels stable for so long.

## **ENVIRONMENT AGENCY COMMENTS ON RESPONSES TO OUR PROPOSED CHANGES TO THE ENVIRONMENTAL PERMITTING (EP) CHARGING SCHEME**

### Question 3a

A number of responses relate to the proposed new complexity bands for activities under section 5.1: the incineration/co-incineration of hazardous/non-hazardous waste. The combustion of bio-gas is just one subset of activities covered by this description and the insertion of the new Opra complexity band in no way pre-empts the outcome of considerations concerning the burning of such gases

When IED was implemented, the opportunity was taken to rationalise and simplify the EP Regulations. Consequently a number of activities were deleted from the Regulations, in particular those that had no IED equivalent and/or which were described by other EP Scheduled Activity descriptions. Activities for the combustion of waste oil; recovered oil; or fuel manufactured from, or comprising, any other waste in an appliance with a thermal input of between 1 and 50 MWts was one such description that was deleted. Most, if not all, such activities are now covered by IED activity description – the incineration/co-incineration of hazardous/non-hazardous waste. These IED activities still need to be recognised in our Charging Scheme and an Opra complexity band the same as that previously applied to the deleted activity, is being proposed.

### Question 3b

Within 4 years of an updated Sector BAT Reference being published all permits covered by the BRef have to be reviewed and updated to give effect to limits contained therein. Operators have to comply with the revised permit conditions unless they have successfully applied to the EA for derogation. Such derogations, if granted, will typically give operators longer to upgrade their plant to comply with the new standards.

The majority of the consultees appear to be under the misapprehension that we are saying derogation applications fit the definition of a substantial variation. This is not the case. Rather, a charge the same as that for a substantial variation reflects the additional costs we will incur when having to determine derogation requests.

Determining a derogation application is a significant exercise, which if carried out inadequately carries considerable risk of challenge, Appeal, Judicial Review, or Infraction by the Commission. Determination involves considering whether the operator has demonstrated that compliance with the BAT conclusions document will entail disproportionate cost when considered against the environmental benefits. This requires the exercise of technical and economic expertise at a level which would stand considerable external scrutiny. To carry out this work with the necessary level of rigour will not only require internal technical support, brigading the necessary skills, but also careful peer review and scrutiny. The derogation determination will be supported by a technical panel and peer reviewed by an Executive Manager led review group. It is likely that some derogation cases will be examined by Directors. In some cases a derogation request will require consultation under the public participation requirements of the Regulations. There will be no industry-wide or activity-wide derogations; each

derogation request will be made on a site-specific basis, taking into account local conditions.

Determination of derogation requests will therefore incur significant extra costs. Peer review involving an Executive Manager plus senior solicitor and chief economist is a level of examination that exceeds all but the most controversial applications for a substantial variation. The range of charge is expected to be £7,954-£20,889 for a substantial variation. This is not considered excessive for the determination process required.

### Question 3c

We have no plans to introduce a system or charge for determining whether these CHP bio-gas engines are an R1 recovery operation and therefore the charge will not apply as suggested by one respoondee.

Annual verification of R1 status is required under EC guidance for R1 assessment of municipal waste incinerators. Similarly, we will require annual verification for incineration of automotive shredder residues, and any other incineration process we may decide we can certify as being an R1 recovery operation.

### Question 3d

The new charge of £350 will apply to standard rules deposit for recovery permits only. Our objective is to make the level of regulatory effort proportionate to the environmental risk of the permitted activity, and for this to be reflected in our charges. This approach is currently adopted for all bespoke deposit for recovery permits, where the operator is required to vary their permit when they want to make certain changes to the approved waste recovery plan. No such mechanism exists for standard rules permits. However, there are some changes in operation under standard rules deposit for recovery permits that need to be re-assessed to confirm the proposed operation still constitutes recovery. Examples of change include the addition of waste codes or increase in the volume of waste and we consider a fixed charge is appropriate in this situation.

### Question 3e

For the first two years after determination of the permit, subsistence will not be levied whilst there are no works or construction of any kind at the site. If, after two years, there are still no works or construction, then we will levy the new capped charge or the full subsistence charge, whichever is the lower.

Costs are incurred in maintaining the permitting database and public register, as well pre-operational discussions with the operator etc.

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