

A close-up photograph of several green oak acorns hanging from a branch, surrounded by vibrant green oak leaves. The background is a clear blue sky.

LGiU

LOCAL GOVERNMENT
INFORMATION UNIT

CARBON TRADING COUNCILS IN PRACTICE

INDEPENDENT INTELLIGENT INFORMATION

HOW TO JOIN CARBON TRADING COUNCILS

The LGiU is inviting local authorities to start trading with **CO_T** in April 2008. To make sure your local authority is part of this important learning experience register your interest now.

In order to ensure your local authority is prepared to take part in the scheme you will need to:

- sign the Carbon Trading Councils agreement letter
- identify the extent of involvement in the scheme
- begin to plan your carbon reduction.

Joining fee from April 2008 — March 2009

£500 for local authorities with populations under 150,000

£1,000 for local authorities with populations over 150,000

The LGiU will provide secretariat support for the scheme, equivalent to 30 days.
The LGiU will also be seeking sponsors for elements of the project.

**For more information please contact Gemma Roberts:
gemma.roberts@lgiu.org.uk or 0207 554 2832**



**Carbon Trading Councils is
an enterprise of the LGiU -
innovating local government**

‘LGiU’S CARBON TRADING COUNCILS SCHEME WILL BE INVALUABLE IN HELPING US PREPARE FOR THE MANDATORY CARBON REDUCTION COMMITMENT’

Thurstan Crockett, Head of Sustainability and Environmental Policy, Brighton & Hove City Council

‘THIS IS SENSIBLE RISK MANAGEMENT FOR A LOCAL AUTHORITY. WE NEED TO TAKE THE LEAD ON CLIMATE CHANGE NOW BY UNDERSTANDING THE REAL COST OF CARBON, LEARNING HOW TO ACCOUNT FOR IT ACCURATELY AND THEN USING EVERY MEANS AT OUR DISPOSAL, INCLUDING TRADING, TO REDUCE THE AMOUNT THAT IS EMITTED’

Nigel Riglar, Strategic Director, Stroud District Council

‘THE NORTH WEST CENTRE OF EXCELLENCE (NWCE) HAS ENCOURAGED NORTH WEST COUNCILS TO GET INVOLVED WITH CARBON TRADING COUNCILS. WITHOUT PRIOR EXPERIENCE OF CARBON TRADING, MAKING MISTAKES IN A STATUTORY SCHEME COULD PROVE TO BE EXPENSIVE’

Neil Hind, Procurement Programme Director North West Centre of Excellence

‘JOIN THE LGiU’S CARBON TRADING SCHEME LAUNCHED TODAY’

Michael O’Higgins, Chairman, Audit Commission — LGA Annual Conference 2007

INTRODUCING CARBON TRADING COUNCILS

The story of Carbon Trading Councils

Carbon Trading Councils — **CO_T** — was initially proposed by the Local Government Information Unit (LGiU) to enable local authorities and their partners to commit to a path of carbon reduction.

The LGiU formed a development group of local authorities to shape the idea of a cap-and-trade scheme that will drive carbon reduction by putting a price on carbon.

Organisations in **CO_T** will be issued with a carbon budget. This will be based on their expected level of emissions throughout the year, with an agreed reduction. This reduction provides the 'cap' on the market and is aimed at driving down total carbon emissions.

In order to meet the carbon budget, local authorities will be able to trade part of their carbon allowance. Local authorities can buy and sell carbon at a price agreed by the supply and demand on the **CO_T** carbon market. The price of carbon should provide the additional incentive to reduce carbon emissions rather than buy additional permits.

By joining **CO_T** local authorities can experience a simulation of carbon trading and test their skills and ideas in a low risk environment.

CLIMATE CHANGE

There is strong evidence that human activity is changing the climate. The increase in carbon emissions in the atmosphere from burning fossil fuels and cutting down trees is causing global warming. This will lead to more extreme weather events, with an increase in the number of storms, rising sea levels and frequent heatwaves. These changes will have a marked impact on our lifestyles.

An invitation to trade

The LGiU is inviting local authorities to take part in a voluntary carbon trading scheme. Carbon trading is inevitable if we are going to meet challenging targets to reduce carbon emissions, so why not start now?

The scheme has been shaped by local authorities and is tailored to local needs. It is flexible to allow your local authority to decide how involved it needs to be.

It is not too late for your organisation to join in. The scheme will be launched in April 2008. By joining this first year of trading your local authority will be supported by LGiU as you experience the opportunities and challenges of carbon trading first hand.

How carbon trading would benefit your organisation

CO_T is primarily aimed at local authorities but the LGiU is keen for other public sector organisations to be involved. In the future the scheme will be widened to cover all local groups, from businesses to individuals.

Participation in **CO_T** will allow your organisation to:

- demonstrate leadership on climate change
- act on climate change and reduce your carbon emissions now
- learn about carbon trading and pave the way for statutory trading schemes such as the carbon reduction commitment
- encourage the whole organisation to make the changes needed to reduce carbon emissions.

CARBON REDUCTION COMMITMENT

The government aims to achieve savings of 1.2 million tonnes of carbon by 2020 from business and public sector organisations. The Carbon Reduction Commitment (CRC) will be a mandatory cap-and-trade scheme for large organisations in the private and public sector — including all upper tier local authorities and some large districts. The system aims to give organisations incentives to reduce carbon emissions by putting a price on carbon through trading carbon permits.

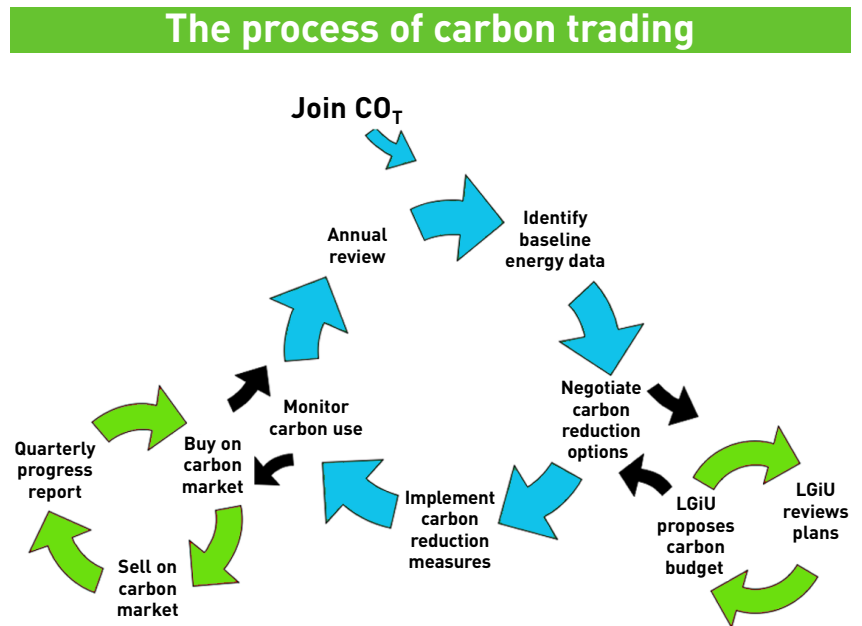
CRC will begin in January 2010 with an introductory phase. During this phase carbon allowances will be sold at a fixed price at the beginning of each year. If an organisation needs more permits they will have to buy them from other organisations in the CRC carbon market. In 2013 the first capped phase will begin, with an auction for the carbon allowances.

There is more information on the Defra website www.defra.gov.uk

HOW DOES CO_T WORK?

By joining CO_T your local authority is committing to take part in the first year of trading. This will be a simulation of trading — the effects of setting budgets and trading will be real but no money will transfer between organisations.

There is a cycle to preparing for and taking part in CO_T. The carbon trading year starts when the carbon budget for your organisation is set in April (see diagram). The end goal is for all local organisations to keep within their carbon budget either through implementing measures to reduce carbon emissions or buying permits on the CO_T carbon market.



Stage one: commitment to CO_T

To provide assurance that all the local authorities taking part are fully committed to CO_T the decision to join should be agreed by the council leader and senior management. This will support the process of integrating carbon reduction into the priorities of all sections of the local authority.

Stage two: provide baseline data

Depending on local circumstances your authority will need to decide how involved it wants to be and how much of its operations will be included in the carbon budget. There are three options to consider:

- 1 At least one building will be included in the CO_T carbon budget. This building(s) should be representative of the estate which would be included in future trading schemes.
- 2 Include all of the local authority's estate which will be part of the carbon reduction commitment.
- 3 Include all of the local authority's estate which will be part of the carbon reduction commitment, plus the energy used in fleet transport.

In all cases the data for these energy sources should meet the following criteria:

- baseline data exists for the main energy sources — electricity (including electricity covered by a 'green tariff' and any unmetered supply), gas and oil
- these energy sources can be monitored on a regular basis to provide quarterly reports during the trading year.

LGiU will provide a template for recording baseline energy data and this will be converted into carbon tonnes using standard figures set out by Defra.

Stage three: agree the carbon budget

Your local authority will have a carbon budget for the trading year. This will be based on the expected carbon emissions for the year from the baseline, minus the agreed carbon reduction for **CO_T**. There should be an internal discussion about the budget your authority might need based on an assessment of its baseline, plans for carbon reduction and the views of senior management across departments.

LGiU will propose the carbon reduction or ‘cap’ on the scheme, based on the evidence provided by the local authorities involved. The percentage reduction will be the same for all local authorities and this will identify the amount of carbon available in the market.

Stage four: carbon reduction plans

It is important to have plans so that your local authority is clear about how it will meet the carbon budget. The carbon reduction plans should be drawn up in parallel with discussions about the carbon budget so that your authority can start setting priorities. Buying and selling carbon on the **CO_T** market should also be considered in these plans. You will be able to outline the main priorities before the budget is finalised, but these may need to be reviewed once the allocation of carbon has been set.

LGiU has a series of leaflets, *Carbon Zero Councils: down to zero*, which suggest actions your authority can put in place to reduce its carbon emissions.

Stage five: trade on the CO_T market

The trading element of **CO_T** provides an incentive for your local authority to meet its carbon budget. Trading puts a price on carbon, which should make investment of time and resources in carbon management more attractive and imaginative.

Your local authority will be free to buy and sell ‘carbon credits’ from its carbon budget to meet the target. The price of carbon will be affected by supply and demand, which is directly related to the decisions about the size of budget and the proposed carbon reductions.

Trading will occur between local authorities in **CO_T** through an internet platform. This will not involve the transfer of money, so will in effect be a simulation. This will be monitored by the LGiU to ensure there is fair play.

Stage six: assessment

There will be ongoing assessment throughout the trading year so that your local authority can monitor its progress. On a quarterly basis local authorities will report on a standardised template to the LGiU:

- the level of carbon emissions in their building(s)
- an analysis of whether they are on track to meet their carbon budget
- trading data showing the amount they have spent or gained on the **CO_T** market.

In the final quarter there will be a light-touch audit to ensure the scheme has been operated fairly. This will all provide the basis for an annual assessment to provide an account of the carbon trading councils experience and identify learning.

Author: Gemma Roberts

The LGiU is a leading UK independent think-tank for local government. It is a charity and local government company, governed by representatives of more than 140 affiliated local authorities and trade unions. Established in 1983, it provides policy analysis, training and other services both to affiliates and to a large number of other local bodies. Since its inception the LGiU has been a key campaigner for local democratic governance and the leadership role of local authorities.

The LGiU's Centre for Local Sustainability looks at how environmental sustainability interacts with social justice and economic growth. The Centre works with councils to develop and enhance their local environments with innovative policy solutions supported by authoritative evidence.

'Carbon Trading Councils' and the CO_T logo are LGiU trademarks.

Centre for Local Sustainability at

LGiU

22 Upper Woburn Place
London WC1H 0TB
020 7554 2800
info@lgiu.org.uk
www.lgiu.gov.uk