

# **REGULATORY IMPACT ASSESSMENT (RIA) OF PROPOSAL TO AMEND SSI 2000/323 TO TRANSFER SOME ACTIVITIES FROM PART B TO PART A**

## **Title**

1. The title of this RIA is: Regulatory Impact Assessment for the Pollution Prevention and Control (Scotland) Amendment Regulations 2001.

## **Purpose and intended effect**

2. This is a Regulatory Impact Assessment (RIA) of proposals to make limited amendments to the Pollution Prevention and Control (Scotland) Regulations 2000 (SI 2000/323) which were made on 28 September 2000. The Regulations apply only in Scotland. The main proposed changes are broadly in line with suggestions put forward by the industrial sectors concerned.

3. The Regulations determine the way in which activities and installations fall to be controlled under integrated pollution prevention and control. The installations affected will be known either as “Part A installations” or “Part B installations”. Both types of installations are regulated by the Scottish Environment Protection Agency (SEPA).

4. The Scottish Executive issued a consultation paper in April 2000. That consultation included an invitation to put forward candidates for transferring activities/installations from Part B to Part A. The effect of such a transfer would be to extend regulation to cover multiple environmental impacts, not just local air pollution. The consultation paper set out the criteria against which candidates would be assessed.

5. This RIA accompanies draft amendment regulations which, in the light of the consultation responses, make changes to SSI 2000/323 in order to transfer a small number of activities/installations from Part B to Part A. The draft amendment regulations also include an implementation timetable.

6. The April 2000 consultation paper explained the purpose of the additional consultation:

“The main focus of previous consultations has been the setting up of relevant pollution control systems which give effect to the IPPC Directive. To that end, certain sectors currently regulated under Local Air Pollution Control (Part B processes) will be transferring to the IPPC system. It was decided that it would over-complicate the exercise to undertake at the same time a fundamental review of the appropriateness of the current split between integrated and air-only regulation outside the context of IPPC Directive implementation. However, now that the PPC Regulations are nearing their final form the Executive considers that it would be valuable to carry out such a review.”

## **Options**

7. Given that this exercise has a narrow focus of reviewing the boundary between Part B and Part A installations, there are no alternative approaches. Four sectors met the criteria

identified in the 2000 consultation paper. A number of other sectors applied to transfer to Part A but the Executive concluded that none met the necessary criteria.

8. There are options for the dates when the proposed transfers will have effect. In all cases it is proposed that new installations should be treated as Part A installations after the amendment regulations come into force. The proposed transfer dates take account of when existing installations would have come under the PPC Regulations had they remained Part B, and the time needed for an operator to make a competent application for a permit.

9. It would be possible to specify later dates in all cases. This would defer incurring the additional costs, but would also postpone the environmental benefits. Transfers dates any later than those proposed would also put Scotland significantly out of line with the remainder of Great Britain.

### **Business sectors affected**

10. The draft regulations give effect to the transfer of four industrial sectors from Part B to Part A, as follows.

10.1 Grinding of metallurgical slag (where not already part of a Part A installation) in plants with a grinding capacity of more than 250,000 tonnes in any 12 month period. **There is believed to be one installation in Scotland at the present time which would be affected by the proposals.**

10.2 Cellulose fibre reinforced calcium silicate boards. It is intended that only installations which use unbleached pulp will be transferred to Part A. **It is understood there are currently no manufacturers of such boards in Scotland.**

10.3 Composite wood-based board manufacture. The proposal is to transfer the manufacture of wood particleboard, oriented strand board, wood fibreboard, plywood, cement-bonded particleboard, and other composite wood-based board with a production capacity exceeding 20 tonnes per day. **There are believed to be three installations at present in Scotland which will be affected by the proposed transfer.**

10.4 Large plant manufacturing rubber tyres. It is proposed to transfer only those installations which use more than 50,000 tonnes per year of natural rubber, synthetic organic elastomers or other substances mixed with them. **It is understood there are currently no installations in Scotland that fall into that category.**

11. Both Part A and Part B installations are regulated by applying the principle of Best Available Techniques (BAT). Regulators are required to take into account that installations should be operated in such a way that all the appropriate preventative measures are taken against pollution, in particular through the application of BAT and that no significant pollution is caused. BAT is defined in Schedule 2 to SSI 2000/323 in terms of a list of matters to be considered, all of which are set in the context that likely costs and benefits of a measure must be borne in mind. In this way, therefore, requirements imposed on installations under the Regulations must reflect a cost/benefit balance.

### **Benefits**

12. There will be environmental benefits from the control of a wider range of environmental impacts, compared with control of only air emissions under Part B. The April 2000 consultation paper gave criteria against which the decision to transfer to Part A would be made; these criteria, in essence, required significant multi-media releases/impacts to be demonstrated.

13. The costs outlined in paragraphs 14-18 must also be set against the savings that will accrue if the affected firms obtain a discount under the Climate Change Levy (CCL). Part A installations (not Part Bs) are eligible for an 80% discount in the rate of CCL provided that they agree to energy or emissions targets with the UK Government and subsequently meet these targets. For example, there are 11 installations in the UK within the composite wood-based board sector that will transfer from Part B to Part A. If these sites were to remain as Part B installations, they would pay approximately £4.5 million in CCL each year. As Part B installations eligible for CCL discount, it is estimated that this levy would be reduced by some £3.6 million each year.

### **Costs**

14. The costs to business of transferring from Part B to Part A are two-fold:

(1) because of the wider range of issues covered by Part A permits, SEPA's regulatory costs will be greater. This will be reflected in higher application and annual subsistence fees payable for a permit.

There will be a new PPC charging scheme introduced on 1 April 2003 which is specifically for Part A processes, Part B process will continue to be charged under the Air Pollution Control Fees Charges (Scotland) Scheme 1999. The current application fees for Part B processes is banded into 4 categories 1-£187, 2-£318, 3-£1886 and 4-£1926, with an annual subsistence fees for categories 1-£186 and 2-£265 and 3-£947 and 4 £3234. The application fee under the new PPC charging scheme for Part A processes (other than some waste management activities and intensive farming operations) is £2487 multiplied by the number of components specified in the activity plus 2. The annual subsistence fee for the same Part A processes is £500 multiplied by the number of components.

(2) the Part A regime addresses multi-media impacts compared with air-only for Part Bs. It is not possible to quantify the resultant additional costs in advance of guidance being issued on BAT for the relevant sectors and, even then, BAT will ultimately involve site-specific decisions. Some estimates, based on information provided by trade associations, is set out in paragraphs 15-17 below in relation to three of the sectors. Overall, as stated above, the BAT principle takes account of the balance between costs and benefits. It is standard practice for relevant business interests to be consulted in drawing up BAT guidance.

### Grinding of metallurgical slag

15. The Cementitious Slag Makers Association speculates that in the first year under Part A there will be additional staff costs per installation of £10-20,000 and capital expenditure on equipment in the range £20-200,000. In each subsequent year they believe that staff costs will be of the order of £5-10,000 plus recurring costs relating to maintenance, monitoring and analysis amounting to some £25-75,000. There is believed to be one installation currently within this sector in Scotland.

### Composite wood-based board manufacture

16. The Wood Panel Industries Federation (WPIF) considers that the main areas where Part A status would be likely to give rise to additional costs are as follows. As regards air and water, additional costs may arise from extra monitoring of certain air emissions and water discharges. Additional waste minimisation costs are likely to be small given that waste minimisation is already practised for commercial reasons. Additional costs are envisaged to manage and audit energy usage and possibly install additional capital equipment (with a range of £75,000-£1.5m per installation over 10 years), although WPIF foresees offsetting benefits of energy savings. Annual noise survey costs may be in the range of £2-4,000 per installation and (unspecified) variable costs may arise for putting environmental management systems in place. There are believed to be three installations above the 20 tonnes threshold within this sector at present in Scotland.

### Large plant manufacturing rubber tyres

17. The British Rubber Manufacturers' Association have offered a global cost estimate of £750,000 per installation for transferring from Part B to Part A. It is understood there are currently no installations in Scotland which will be affected.

### Cellulose fibre reinforced calcium silicate boards

18. No estimated costs have been provided by the trade association. It is believed there are no manufacturers in Scotland within this sector currently using unbleached pulp.

### **Impact on small and micro businesses**

19. None of the companies affected by the proposed transfer from Part B to Part A in Scotland are small businesses. The companies that would transfer are relatively large industrial plants. The 20 tonnes daily production capacity threshold proposed for wood-based board manufacturers will ensure that small businesses in this sector are unaffected by the proposals.

### **Consultation**

20. Businesses themselves, through the relevant trade associations, have made the case for transfer in most cases. While there would be additional costs in being regulated as a Part A installation, the sectors concerned have indicated that these costs would be outweighed by the benefits of being eligible for a discount under the Climate Change (see paragraph 13).

### **Enforcement**

21. SEPA is the enforcing authority in respect of all installations in Scotland covered by SSI 2000/323 and will be for the installations transferred from Part B to Part A as a consequence of the proposed amendment regulations. The enforcement provisions for Part A and Part B installations are the same. SEPA has been consulted about the proposals and is content with the proposed approach.

### **Monitoring**

22. SSI 2000/323 and the proposed amendment regulations will be kept under regular review, taking account of, amongst other things, experience of practical operation of the regulations and feedback from the regulators and operators of activities and installations.

### **Compliance Costs**

23. SEPA regularly reviews the permitted activities of those companies which it regulates and the schemes under which it levies application and subsistence charges for permits. SEPA is currently drafting a Pollution Prevention and Control charging scheme (to replace the interim scheme presently in place). This will involve a full consultation with all sectors affected by the proposed amendments to SSI 2000/323. Technical UK guidance is also currently being prepared for those sectors covered by the Pollution Prevention and Control regime. This will take into account the cost of complying with regulatory requirements (for example SEPA's charges, time spent on completing application forms, keeping records, purchase of new equipment etc) and the cost to industry in the determination of BAT.

### **Summary and recommendation**

24. The proposal to transfer certain sectors from Part B to Part A in the Pollution Prevention and Control regime is largely at the behest of the sectors themselves. Although there will be costs to the industries from such a transfer there will be offsetting savings from the Climate Change Levy discount. To be eligible for CCL discount an installation must, amongst other criteria, be classified as a Part A installation. There will also be environmental benefits that will arise as a consequence of increased pollution controls which apply to Part A installations. It is recommended that, in the light of these factors, the regulations to amend SSI 2000/323, as proposed in this consultation paper, be made.

### **DECLARATION**

I have read the Regulatory Impact Assessment and I am satisfied that the balance between cost and benefit is the right one in the circumstances.

**Signed by the  
Responsible Minister**

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**Date of Regulatory Impact Assessment:     March 2003**

**SEERAD : SEPA Sponsorship and Waste Unit  
March 2003**