

CRC ENERGY EFFICIENCY SCHEME OVERVIEW

CRC

Overview - The CRC Energy Efficiency Scheme (CRC) is a new mandatory emissions trading scheme which aims to reduce the amount of CO₂ emitted in the UK. The details within this update are not definitive, a regulation paper is expected in the autumn following the consultation which took place March - June 2009.

The CRC is due to come into effect April 2010 and is split into two sections, the introductory phase (which is not capped and covers the first 3 years) and the CRC capped phase (commencing April 2013). Organisations need to start preparing for it now in order to benefit from the reduction in their energy costs and financial incentives for good performance.

Who must participate? All organisations with at least one half hourly electricity meter. The level of participation will vary from information disclosure to full monitoring, targeting and reporting. An organisation will participate fully if during calendar year 2008 (the qualification year) it used more than 6,000MWh (electricity only) per year through their **half hourly** metered sites.

It is important to bear in mind that whilst the qualification for CRC participation is based on the electricity through half hourly meters, the carbon emissions to be reported are based on the total carbon generated i.e. includes 90% of all Electricity (including Non Half-hourly), Gas, Oil and Coal; the remaining 10% can incur the de-minimis rule. Organisations are excluded from the scheme if more than 25% of their energy consumption is within the CCA or EU ETS schemes.

Who must register and report? Where organisations are subsidiaries or part of a group, in general the **highest parent organisation** will report the total consumption of the group on behalf of all the organisations within it. However, if one of the subsidiaries qualifies in its own right it can choose whether to disaggregate themselves from their organisational group and participate independently.

Where the organisation is a landlord of a property and is responsible for paying utility invoices direct from suppliers, the reporting of these supplies must be included within the organisations emissions.

The Cost - The fixed cost for carbon allowances for the introductory phase will be £12 per tonne of CO₂. For example Organisation X uses 10,000,000 kWh of electricity and 20,000,000 kWh of gas, which converted totals 9,070 tonnes of CO₂. Total amount of carbon allowances to be purchased by Organisation X would be 9,070 at £12 each costing **£108,840**.

Following the 'monitoring period' during the first year of the scheme (April 2010 to March 2011), the first sale of allowances will take place in April 2011 where all participants will purchase their allowances for the year ahead, 2011/12. There will also be an initial registration fee and subsequent administration fee payable each year.

The scheme is intended to be revenue neutral for the Government and therefore the monies from the sale of allowances are to be 'recycled' back to the participants each October. Every Organisation's recycled revenue payment will be determined by two elements:

- A set payment based on the organisations proportion of the total CRC emissions during the first year of the scheme (2010/11). For example, if the total emissions from all participants in 2010/11 is 10,000 tonnes and an organisation has emissions of 100 tonnes of CO₂, then that organisations share is 1%. This percentage will be the basis for each future recycling payment of the revenue raised each year.
- This is then adjusted according to the organisation's position on the performance league table by either a bonus or penalty, the rates for which have already been set for the first 5 years of the scheme. In year one of the scheme this will be +/- 10% and in year two it will increase to +/- 20%.

League Table – Not only will the position on the league table influence the amount of funds an organisation receives back, it may also bring additional benefit, or conversely cost, in relation to their reputation as the league table will be published twice a year. During the first year an organisation's position on the league table is based solely on the Early Action Metric. Therefore to improve your organisation's position on the league table in the first year, you can attain the Carbon Trust Standard (valid for 2 years) or equivalent certified verification (i.e. BS EN 16001 Energy Management System) and install AMR metering on any non half hourly supplies (both gas and electricity).



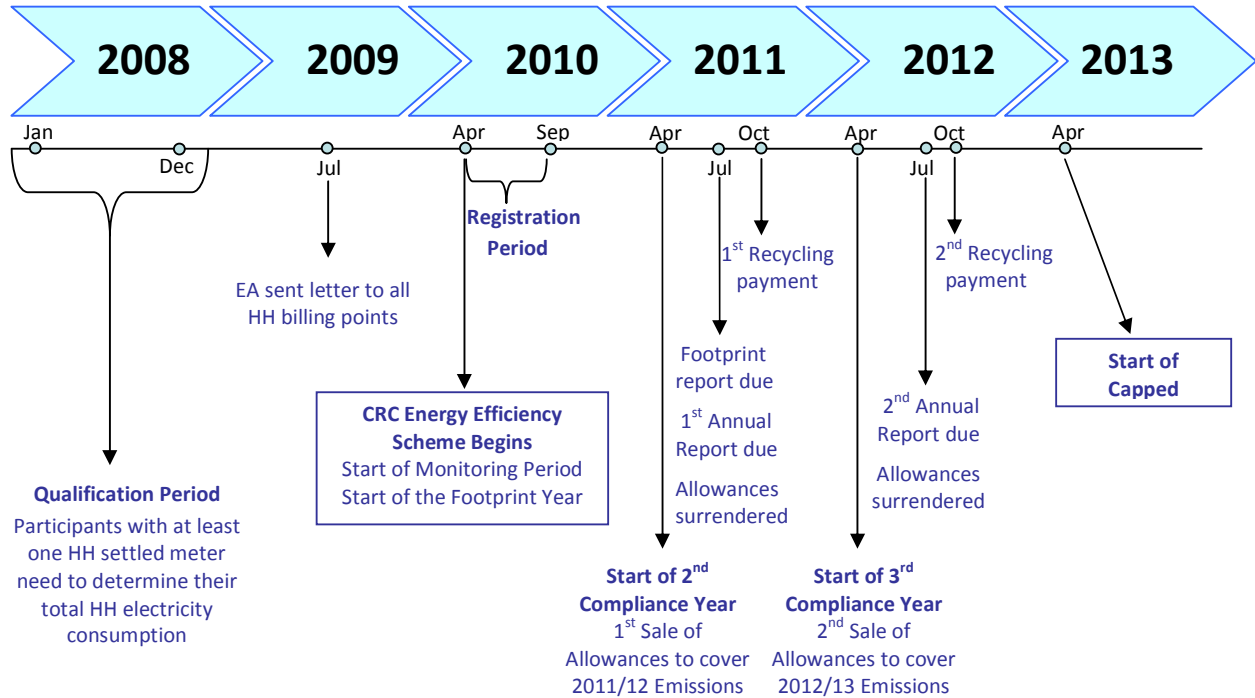
T : 01253 886665
F : 01253 899243
Sales@fe-ltd.co.uk
WWW.fe-ltd.co.uk

Aldon Road
Poulton Business Park
Poulton-le-Fylde
FY6 8JL



CRC OVERVIEW

CRC Energy Efficiency Scheme Timeline



Reporting – Every organisation fully participating in the scheme will need to produce an accurate and comprehensive record of their CO₂ emissions in the footprint year (2010/11). The **footprint report** is only required once per phase and in the first phase must be submitted by 29th July 2011. From this an organisation can determine which emissions are to be included and allowances purchased for – at least 90% of the footprint emissions must be regulated by either CRC, EU ETS or CCA and include all ‘core’ sources unless covered by EU ETS or CCAs. The remaining 10% may be omitted due to the administrative burden of accounting for very small sources of energy.

The performance of an organisation will be measured against the footprint report each year by the submission of an **annual report**. It is also a requirement of the scheme to compile an **evidence pack** which must be made available if selected for an audit inspection.

Auditing And Penalties - The Environment Agency will be the scheme administrator. 20% of participants will be audited per annum predominantly via desk top analysis, however visits will be undertaken where discrepancies are identified.

Participants will be fined for civil penalties such as failure to register (£5,000 then £500 for each subsequent working day to a maximum of 80 working days, plus publication of non compliance), failure to keep adequate records (£40/tCO₂ of the Participants CRC emissions in the most recent compliance year, plus publication of non compliance). Criminal offences such as falsification of data or deliberately misleading the administrator can result in imprisonment.

For further information on the CRC and how Faros can help, please call us on 01253 886665.