



APSE response to the CRC Energy Efficiency Scheme Order 2010

This briefing provides details of APSE's response to the consultation on amendments to the CRC Energy Efficiency Scheme Order 2010. This briefing is provided to APSE member authorities throughout the UK.

Key Issues:

- This briefing includes APSE's response to the CRC Energy Efficiency Scheme Order 2010.
- The proposed changes are primarily focused on extending the introductory phase and postponing the first allowance sale of phase two.
- APSE's response calls for a full review into the financial implications of the removal of the recycling payment prior to the final decisions on CRC being taken

1. Introduction

The CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) is the UK's mandatory climate change and energy saving scheme. The scheme started in April 2010. It aims to improve energy efficiency and reduce the amount of carbon dioxide (CO₂) emitted in the UK. This is vital to achieving our overall targets of reducing greenhouse gas emissions by 2050 by at least 80% compared to the 1990 baseline. APSE briefing 09-04 outlined the main provisions of the Carbon Reduction Commitment ([click here to view the briefing paper](#)).

The Comprehensive Spending Review 2010 announced some important changes to the Scheme:

'The CRC Energy Efficiency Scheme will be simplified to reduce the burden on businesses, with the first allowance sales for 2011-12 emissions now taking place in 2012 rather than 2011. Revenues from allowance sales totalling £1 billion a year by 2014-15 will be used to support the public finances, including spending on the environment, rather than recycled to participants. Further decisions on allowance sales are a matter for the Budget process.' Section 2.108, Spending Review 2010, HM Treasury

Following on from the spending review announcements, in November 2010, the Department of Energy and Climate Change (DECC) issued a consultation on amending the CRC Energy Efficiency Scheme Order 2010. These changes are primarily focused on extending the introductory phase and postponing the first allowance sale of phase two. The full consultation document is available by clicking on the following link ([click here](#)).

APSE has already issued a briefing paper summarising the changes announced as a result of the spending review and also outlining the main provisions of the consultation. [Click here](#) to view the full briefing paper. Replicated below is APSE's response to DECC, the Scottish Government, Welsh Assembly Government and the DoE in Northern Ireland.

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The Association for Public Service Excellence (APSE) represents officers and members involved in the management and provision of quality public services. APSE's mission statement positions the organisation as *'networking organisation which consults, develops, promotes and advises on best practice in the delivery of public services'*. APSE is currently working with almost 300 authorities within the United Kingdom and has been involved in a number of projects with a range of local authorities throughout the UK on renewable energy and carbon reduction. APSE has consulted with its membership and has included their comments within this submission.

The proposed amendments in this consultation are minor compared to the changes announced in the Comprehensive Spending Review (CSR) 2010. However, it is our understanding that fundamental changes to the system, such as changes to revenue recycling and a general simplification of the scheme, would require affirmative resolutions and there is insufficient time to do this before 1 April 2011. Therefore, changing the phasing of the scheme will allow fundamental changes to be made at a later date. APSE therefore has included comments below on both the minor changes proposed in the

consultation as well as the more fundamental changes which are intended to be made (as announced in CSR 2010).

It is APSE's view that some organisations will favour extending the introductory phase as it would allow participants with an additional year's experience of reporting, complying and surrendering allowances in the introductory phase. However, there needs to be guidance issued to clarify the timelines and activities that need to be undertaken by participants in each of the phases to eliminate any confusion as a result of the proposed changes.

APSE supports the Carbon Reduction Commitment as a tool to reduce carbon emissions and therefore greenhouse gases impacting adversely on the environment. The current scheme gave the opportunity to identify and reward best performing authorities both in terms of financial payments and recognition from the league table. APSE does have concerns over the intended changes in revenue recycling, which this consultation paper is laying the ground for by providing a suitable window in which to consult on the CRC simplification options. By using revenues from allowance sales to support public finances, rather than recycling these to participants, organisations who were expecting to receive this revenue will now lose out on this. Some organisations have invested in energy efficiency measures, such as installed automatic meters (AMR), to improve their prospects of future dividends under the CRC Energy Efficiency Scheme. This, alongside up to 30% budget cuts facing councils, will have a substantial impact on local authorities who have taken measures to improve their energy efficiency. The London Energy Project (LEP) said that the CRC has gone from being 'revenue neutral' to costing approximately £12m in London alone – an increase of around £350,000 per authority (LGC today)¹. This removes revenue which local authorities could have used to spend on energy efficiency measures that will have an impact on driving down UK carbon emissions.

APSE would therefore welcome a full review into the financial implications of the removal of the recycling payment prior to the final decisions on CRC being taken; both the impact on local authorities and the impact on future investment in carbon reduction and energy efficiency measures. Consideration needs to be given to ensuring that revenue generated

¹ Please note that following on from sending the response we have had feedback from a local authority in Scotland that the decision to retain the revenue generated from the sale of emission allowances will have a significant negative impact. They will need to make payments of approximately £600,000 per annum but will not now receive any recycled funds. It will also cost them in the region of £50,000 per annum to administer.

by the Scheme is used for its intended purpose – to assist organisations at a local level in reducing their carbon footprint.

In addition, given the anticipated changes in simplifying the CRC scheme and in revenue payments, APSE has received feedback from local authorities that they would like the Government to review the position of schools within the structure (as currently, the responsibility lies solely with the local authority). They would also welcome further clarification on the inclusion of street lighting (whether this is included or excluded as a whole rather than being based on metering) and on the treatment of PFI following on from the guidance issued by the Environment Agency in September 2010, which was different to that previously issued by DECC.

Thank you for the opportunity to respond to this consultation.

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