

# CRC Overview

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APSE Seminar

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# CRC Introduction



- Generate behaviour and infrastructure change to improve energy efficiency
- Mandatory auction based emissions trading scheme
  - Targeting UK energy use emissions from business + public sector organisations
  - Large organisations: HHM electricity > 6,000 MWh in 2008
- Revenue neutral to the Exchequer
  - Auction revenue recycled to participants

# CRC Introduction



- **Certainty of environmental outcome**
  - Government sets the cap
  - Participants decide where reductions take place
- **Avoiding policy overlap**
  - Target energy use emissions outside EU ETS and CCAs
  - Organisations with >25% of emissions in CCAs exempt
- **Senior management awareness**

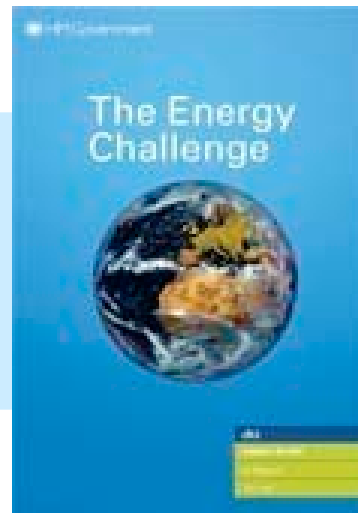
# The path here...

Dec 2005

CT report  
EEIR report

July 2006

Energy Review



Nov '06 – Jan '07

1<sup>st</sup> Consultation

EEIR published at  
Pre Budget Report  
2005

Commitment to  
reduce sector  
emissions by 1.2  
MtC / year by 2020

Consultation  
around most  
effective  
measure to  
deliver  
committed  
savings

# Context

May '07

Energy White Paper



Decision to implement CRC

July – Oct '07

2<sup>nd</sup> Consultation

Detailed consultation around implementation proposals

Mar '08

Govt Response

Consultation on legislation and final points of policy

Feb --  
4 June '09

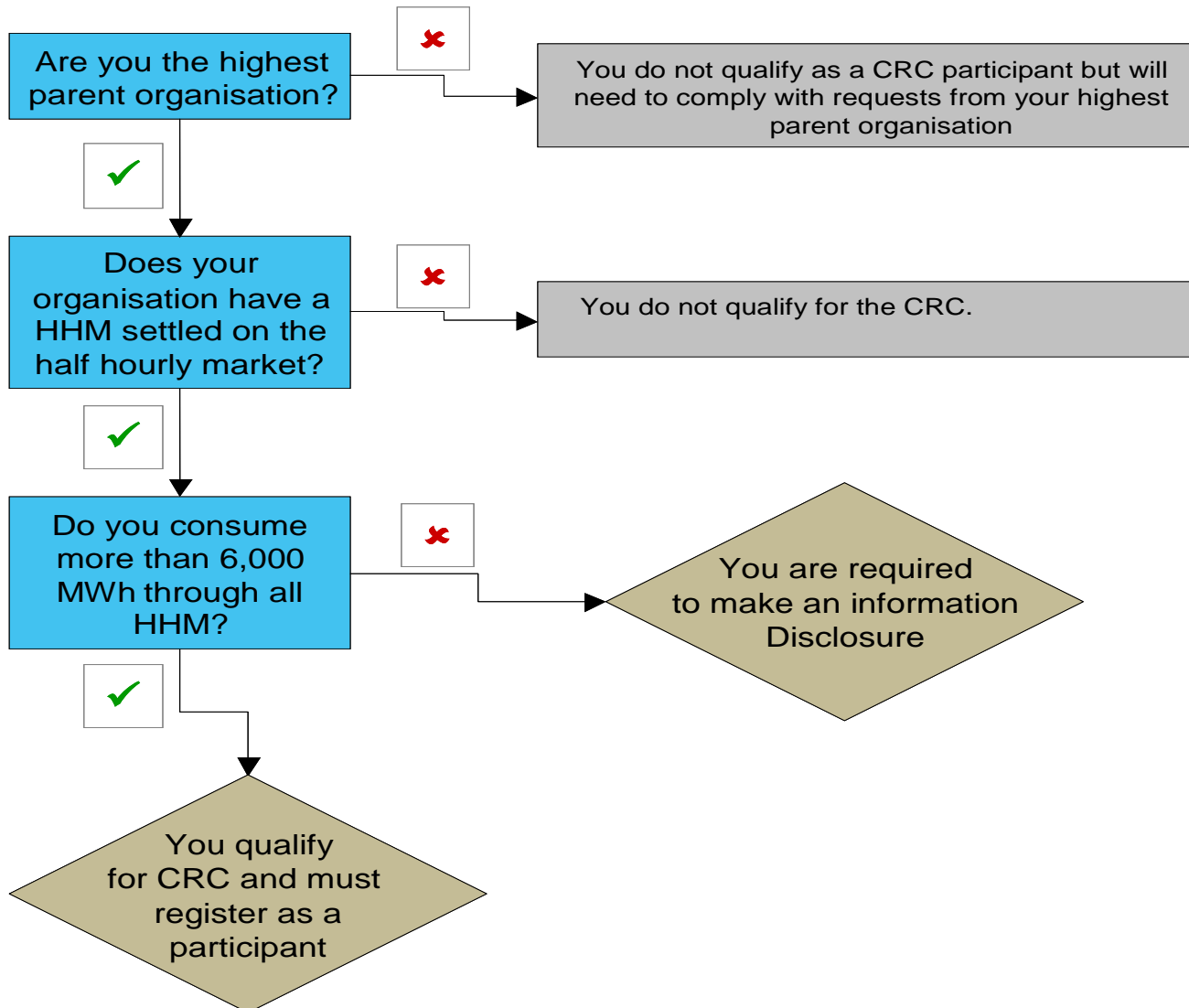
3<sup>rd</sup> Consultation

# Public Sector Participation



- **Mandatory participation of all central Government Depts.**
  - Participation of other Government bodies based on legal entity status
- **Local Authorities to participate individually where they meet CRC threshold. Responsible for**
  - Emissions of their maintained schools and any Academies and City Technology Colleges in their area
  - County Fire Authority emissions (where so designated)
  - Emissions where they are counterparty to energy supply contract – subject to CRC exemptions & exclusions
- **NHS included in scheme** (structure proposed in con doc)
- **Police Authorities participate on their own basis** (where they exceed threshold)

# Qualification



# Emissions Coverage



- Energy use assigned to the Counterparty to the energy supply contract
- All Energy-Use emissions - not just half-hourly electricity
  - Indirect - Electricity
  - Direct – Gas, Oil, Coal etc
- Not Covered
  - EU ETS emissions
  - CCA emissions
  - Transport, Households
  - De-minimis

# Emission Coverage

## – Core Sources

- All half hourly meters
- Meters profile classes 5 – 8
- Daily-read gas meters
- Non-daily metered gas > 73,200 kWh/annum

# Emission Coverage

## – 90% rule

- **90% of Footprint regulated** by either EU ETS, CCA or CRC (the ‘Applicable Percentage’)
- **Core Sources included on mandatory basis**
- Must include non-core (Residual) sources to reach 90%
- Can include non-core sources voluntarily if above 90%
  - Recorded on the Residual Source List

# Allowance Sale

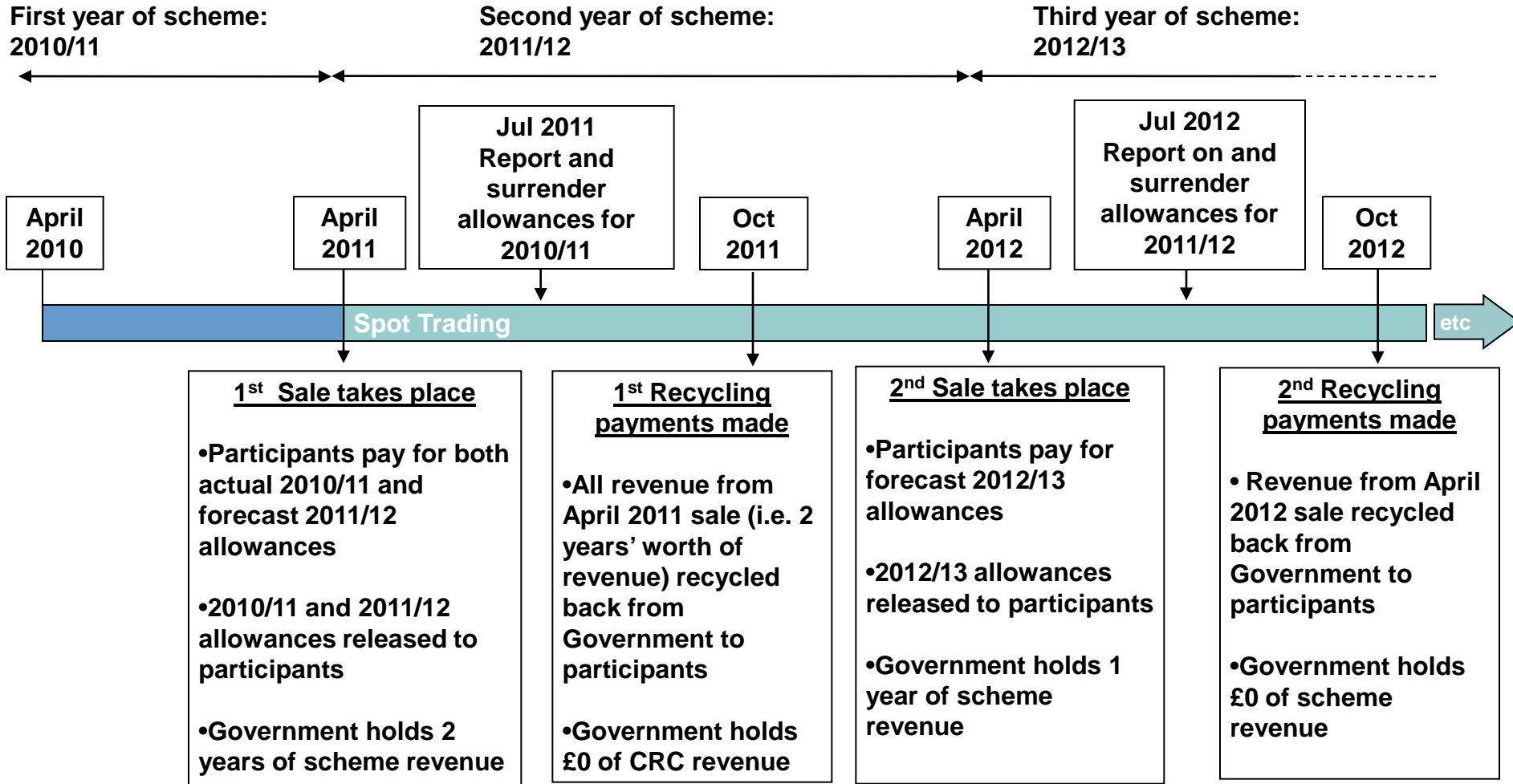
- **3 year fixed price introductory phase**
  - 1st sale in **April 2011** to cover **2010 and 2011** emissions
  - Allowance price = £12/tCO<sub>2</sub>
- **Capped phases from Apr 2013 full auctioning**
  - Sealed bid uniform price
- **Where to buy allowances?**
  - Secondary market
  - Safety Valve
- **Unlimited banking for future years**

# Revenue Recycling



- Cash flow impact reduced to 6 months (2011 - “Double Recycling”)
- Payment proportional to 2010/2011 emissions
- Bonus/penalty depending on position in a “league table”
  - Year 1 maximum bonus or penalty of +/-10%
  - Year 2 maximum bonus or penalty of +/-20%
  - Year 5 maximum bonus or penalty of +/-50%

# Sales/Revenue Recycling Timing



# Performance League Table



- **Government proposes 3 metrics:**
  1. **Compulsory absolute metric (60%)**
    - Change in annual emissions relative to preceding 5 year average
  2. **Voluntary early action metric (20%)**
    - Extent of voluntary AMR at end of first year
    - Extent of Energy Efficiency Accreditation Scheme or Carbon Trust Standard
    - To end after intro phase
  3. **Voluntary growth metric (20%)**
    - Change in emissions per unit turnover or revenue expenditure
- **First league table based 100% on EA metric**

# What should I do now?

## Qualification

- Establish organisational structure
- Determine half-hourly electricity use for 2008
- Sign up to the CRC mailing list

## Carbon Monitoring

- Need to establish accurate systems to measure kWh and hence carbon
- maintain source list inventory

## Early Action Metrics

- AMR programme for Non-half-hourly metered electricity & gas
- Carbon Trust Standard - if 2 years reduction history

## Forecasting

- Emissions trajectory
- Savings from planned projects

# Next Steps

## Summer 09

- June: Third consultation on Draft Order ended
- Consultation analysis and completion of policy development

## Autumn/Winter 09

- Government response to consultation published
- Draft Order laid before Parliament

## April 2010

- Legislation comes into force

- **Four key actions during the scheme year**
  1. Purchase allowances at auction, taking account of energy efficiency effort
  2. Monitor emissions and complete annual report
  3. Surrender allowances equal to total emissions, buying / selling allowances as appropriate
  4. Receive a recycling payment

# Further Information



## Further information

[www.environment-agency.gov.uk/crc](http://www.environment-agency.gov.uk/crc)

## Questions

[CRCHELP@environment-agency.gov.uk](mailto:CRCHELP@environment-agency.gov.uk)