

Carbon Reduction Commitment (CRC)



What is the Carbon Reduction Commitment?

The Carbon Reduction Commitment (CRC) is the UK Carbon Trading Scheme for major energy users. The scheme is based around identifying the carbon footprint of the highest energy users in the country and then rating the organisations in a league table based on reductions CO₂ emissions. It is estimated that 5000 companies will be included in the first phase. Each organisation will have to buy carbon-credits to cover predicted energy use in the forthcoming year. The organisation can then buy additional credits or sell credits depending on actual energy use. At the end of the year credits are surrendered to cover the organisation's recorded carbon emissions. The company receives the money paid for the credits back plus a bonus or fine dependent on their position in the overall league table.

Will I have to participate?

The scheme is for organisations who use more than 6000 MWh of electricity a year and have half-hourly meters (HHMs). The energy use is across the organisations entire business. A building is likely to have a half-hour meter if the peak electrical supply is over 100kW. For an office building, this would equate to approximately 1000m² of occupied space. The organisation has to have only one half-hour meter to qualify for the scheme.

The annual energy use of 6000MWh is measured over the calendar year of 2008. 6000MWh would typically be used across 15,000-25,000m² of office space or 150,000-275,000m² of education space or 6,000-60,000m² of retail space. If you use more than 3000MWh but less than 6000MWh you must register with the scheme but won't participate in the first phase.

Who is responsible?

The highest parent organisation is responsible for the CRC across the group. If any subsidiary or part of the organisation would qualify for CRC in its own right this part is referred to as a principal subsidiary. The CRC commitments are still the responsibility of the parent organisation but the principal subsidiary must be reported separately.

What if I'm the landlord?

The energy use in leased buildings is considered to be the responsibility of the customer who has the contract with the energy supplier. If you are a landlord organisation and you pay the bills, then you are responsible for the electricity use. If the energy use is primarily for domestic residential accommodation it is likely to be excluded from the CRC requirements.

When does it start?

The calendar year 2008 is used to assess qualification for the first phase of the scheme. Affected companies must register between April and September 2010. All half-hour metered

customers will receive a registration pack in September 2009. The first active year of the scheme will be April 2010 - March 2011.

What is it going to cost my organisation?

Assuming that your organisation just hits the minimum qualification energy use of 6000MWh of electricity and uses 3500MWh of gas (based on typical prestige office figures) the carbon footprint of the organisation would be approximately 4000 tonnes of CO₂. Carbon credits would have to be purchased at £12/tonne for the first year totalling £48,000 invested. This money is put into the prize pot for the first year. At the end of the year the prize pot is divided up between the participants based on the organisation's position in the league table. The final league position determines the bonus or penalty each company receives with the maximum bonus received by the top placed company and the biggest penalty received by the lowest placed company. In year one the bonus-penalty rate is +/-10%, by year five this has risen to +/-50%. The process starts again in year two.

How can I move up the league table?

In general the main measure used for league position is the percentage change in carbon emissions between the footprint year and the current year. In the first year, the footprint information will not be available so a more complex measure is used based on the percentage of your electricity and gas covered by voluntarily installed automatic metering and the percentage of your organisations' annually reported emissions covered by the Carbon Trust Standard or the Energy Efficiency Accreditation Scheme. Please contact us for further details on this.

What should I do now?

Now is the opportunity to check if your organisation will be affected and put into place the structures to ensure that you can monitor the relevant information. It is also worth looking at the impacts of installing automatic metering or achieving the standards required to attain a good league position in Year 1.

Where can I find out more?

The DEFRA website has a User Guide for the Carbon Reduction Commitment at:

<http://www.defra.gov.uk/environment/climatechange/uk/business/crc/comply.htm#userguide>

Mecserve can also offer advice on carbon reduction commitment and energy saving measures.

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