

Carbon Reduction Commitment

The Carbon Reduction Commitment (recently renamed the CRC Energy Efficiency Scheme) is a proposed mandatory cap and trade scheme in the United Kingdom that will apply to large non energy-intensive organisations in the public and private sectors.

The aim of the Carbon Reduction Commitment is to reduce the level of Carbon emissions currently produced by larger organisations by approximately 1.2 million tonnes of Carbon per year by 2020.

As a Climate Change Bill commitment, the scheme is aiming for a 60% reduction in Carbon emissions by 2050.



Organisations will pay into the scheme and all the money will be recycled back to the participating companies. The scheme is designed to favour organisations that reduce their emissions by the greatest percentage, and penalise those that fail to reduce emissions. The targets will increase annually. It is mandatory to enter and expected to affect around 5,000 businesses in the UK.

The CRC scheme will apply to organisations that have half-hourly metered electricity consumption greater than 6,000 mWh (Mega Watt Hours) per year. At today's prices, this is roughly equivalent to total half hourly electricity bills of approximately £500,000 per year.

Organisations qualifying for CRC will have all of their energy use analysed including gas, oil and electricity usage. It will not be based on individual buildings but the whole network of buildings for an organisation including their subsidiaries.

The Carbon Reduction Commitment presents a number of benefits to organisations that fall within the scheme:

Financial

The Carbon Reduction Commitment sets out a clear risk to organisations that fail to reduce their carbon emissions. Financially this could result in penalties of thousands, or even millions of pounds for large organisations. However, there is also the opportunity for the best performing organisations to receive similarly large bonus payments as a reward for their efforts.

Corporate Social Responsibility

Over time, organisations that make significant savings in the first few years will find it more and more difficult to achieve such high-level percentage savings on their carbon emissions. This could be considered a negative aspect of the Carbon Reduction Commitment scheme, as there will be less incentive for organisations to continue their commitment to reduce carbon. However, having reduced their carbon emissions, these organisations will enjoy long-term financial benefits from reduced energy costs and the image of a company taking carbon saving issues seriously.

Payments

Further to the initial CRC documentation the double sale and recycle scheme has been abandoned to help improve cash flow:

The first sale of allowances in April 2011 will now only require participants to purchase for the year ahead, and no longer for the previous year combined. The first year of the scheme (April 2010 - March 2011) will now simply be regarded as a 'monitoring period'.



Penalties

Any companies that fail to adhere to the criteria i.e. not paying into the scheme or not providing data on electrical consumption will face financial or other penalties. Maximum penalty for releasing false documentation will be imprisonment of up to 3 years or £50,000. Failure to register - £1,000 or failure to register if you qualify - £5,000 (each subsequent overdue working day will be charged at £500).

Brand and Marketing

Carbon Reduction Commitment league tables will be published each year, giving the media full access to the performance information of all organisations that fall within the scheme. As such, the best performing organisations will benefit from recognition of their achievements.

League Table

This table will help highlight the greener companies that are operating and reducing their carbon emissions. However the initial scheme to produce the table did not take into account those companies that had already invested in energy efficient products and started to reduce their carbon footprint.

In response to this DECC has decided to reduce the weighting of the early action metrics (installation of automated meter readings (AMR) and obtainment of the Carbon Trust Standard) more gradually. The weighting of the early action metrics on the overall performance score will thus account for 100% in the first year of the scheme (no change), 40% in the second year of the scheme (was 20%) and 20% in the third year of the scheme (was 0%).

Time Scale

At present the Environment Agency are issuing letters to the billing address of all half hourly metered properties asking organisations to identify whether or not they qualify for the Carbon Reduction Commitment.

Have you received your pack yet?

While the scheme registration doesn't officially start until April 2010, many organisations will need to make preparations before this date to ensure that they gather sufficient company information and comply with all legal requirements in order to fully participate in the scheme.

Mitsubishi Electric are running a series of seminars covering CRC in more detail before April 2010. Can you afford to ignore this legislation?

