

The CRC Energy Efficiency Scheme

Simplification Agenda

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CRC Energy Efficiency Scheme Simplification

- **Progress to date**
- **Principal Simplification topics**

CRC Energy Efficiency Scheme

Progress to date



- **Registration:** 2770 participants registered - comprising over 4,300 companies plus public sector organisations: ongoing quality audit of data by Environment Agency
- **Compliance :** EA commenced enforcement action against those who have refused EA offers of help to register and appear to be pursuing non-compliance policy
- **Data collection :** participants collecting data on energy use ready for submission to EA in July

CRC Energy Efficiency Scheme

Progress to date - 2



Simplification Decisions:

- Revenue from allowance sales will not be recycled to participants,
- Allowance sale in 2012 for 2011/12 emissions

Following December consultation, Govt response published last month:

- Removal of concept of information declarers;
- Delay of start of Phase 2: first compliance year now 2014/15

Simplification Agenda: Discussion papers

Published 5 discussions papers in January

- Supply rules
- Qualification rules
- Organisational rules
- Timing and frequency of allowance sales
- Overlap between energy efficiency/climate change instruments

Aim: potential options to stimulate discussion, reflecting feedback received to date, not statement of Government policy or preferences

Current CRC supply rules

- Four rules determine a CRC supply relationship:
 - i. Agreement
 - ii. Payment
 - iii. Receipt
 - iv. Measurement (if gas or electricity)
- Supply is assessed at undertaking/public body level
- Unconsumed supply provision; not available to landlords in respect of tenants
- Self-supply – supply of electricity/gas within an undertaking/public body

Possible amended supply rules?

- Counterparty status determines a CRC supply relationship
- Supply assessed at participant level
- Unconsumed supply provision – no change
- No requirement for a meter – expansion to include wider range of unmetered supplies (e.g. passive UMS)
- Reduced fuel scope – from 30 fuels to gas, electricity and heating oil (kerosene)
- 90% concept removed, therefore no footprint report, no residual measurement list and no core/residual source distinction

- Feedback indicates the two criteria - half hourly meters settled on half hourly market plus all half hourly meters - causing confusion amongst organisations
- Possible disincentive to install SMART meters

Simplification Option:

Restrict CRC qualification to single criterion - total settled half hourly metered electricity. Possible need for lower threshold to maintain majority of current participants?

Organisational structure – issues?

Current rules:

- Qualification and participation – group of undertakings under the highest parent (definitions based on Companies Act 2006)
- Participation - Disaggregation allowed for subsidiaries that would qualify for CRC in their own right (SGUs)

Feedback received:

- Some organisations are now over the ‘hurdle’ of identifying their organisation’s structure – no need to change?
- Others (large and/or complex legal structures) have called for simplification

Retain the bulk of existing rules...

- Retain current qualification but allow flexibility for participation (disaggregation at any level of the group)
- Replace the overseas top parent rule with a UK top parent rule
- Include provisions to determine allocation of responsibility for CRC when assets are held on trust
- Review of designated changes?

More radical options...

- Bottom-up : qualification and participation at single entity level
- Use consolidation of accounts rules to determine the group

➤ Options can be combined

Decision already taken to delay first sale of allowances to 2012 for 2011/12 energy use in arrears: as it was clear that participants found measuring, monitoring and reporting emissions more complex than we anticipated.

Outstanding issues:

- Timing of first retrospective sale – a point between April and July 2012?
- Confirmed allowance prices going forward
- Transition to phase 2 – we want to incentivise forecasting and energy management with up front sales (and trading)
- Allowances must be purchased for each emissions year from 11/12
- Maximise opportunities for additional simplification

Allowance sales in introductory phase options and issues



- Retrospective sale 2012 (for 11/12 emissions) **and** 2013 (for 12/13)?
- From 2013/14 forecast sale at beginning of emissions year (ie April 13) – leads to double sale in changeover year – in arrears for 12/13 and forecast 13/14
- Possible double sale every year - a retrospective sale once emissions are known (eg June 14) – to replace current safety valve as risk mitigation
- Higher price at retrospective sale to incentivise use of forecasting sale
- Trading on secondary market between sales (retrospective sale ‘price ceiling’ for secondary market and no need for EU ETS linked safety valve)
- Participant’s choice: forecast sale, secondary market or compliance sale
- **Rules:** ‘Forecast’ allowances cannot be surrendered for previous year’s compliance (can’t buy April 13 and surrender July 13).

Phase 2 and beyond – market design issues and options

Objective - Best and simplest mechanism to overcome behavioural barriers to the uptake of cost effective energy efficiency measures:

- Remove cap and auctioning mechanism – reduced environmental certainty but greater compliance cost certainty for participants – and simpler?
- Unlimited allowances at a fixed price?
- Extend proposed first phase design – forecast and retrospective sales?
- More fundamental reform?

Reducing Overlap between Schemes

Some options?

- Exclude any group completely which has an undertaking in EU ETS or has a CCA
 - Competition issues of conglomerates with part of business in ETS/CCA facing different regulatory burden to those focused on non ETS/CCA production/services?
- Exclude sites covered by EU ETS or CCA from CRC (before or after qualification assessment?) but rest of organisation part of CRC
- Align CRC reporting and company GHG reporting requirements
- Wider overlap issues?

Simplification: Other issues?

- The nature of the reputational incentives of the scheme
- Definition of transport used in the scheme
- Treatment of public versus private sector participants
- Energy threshold for qualification
- Treatment of heat
- Landlord/Tenant relationships and responsibilities
- etc

Welcome views on how CRC scheme could be simplified.

Ask respondents to consider the following aspects:

- How your proposals would tackle the four barriers to the uptake of energy efficiency in large organisations .
- How your proposals might affect the magnitude of the energy use coverage of the scheme.
- How the energy efficiencies/emissions savings associated with your proposals could be verified/audited in a proportionate but effective manner.










Simplification Agenda – Next Steps



- Views on discussion papers and other simplifications of the scheme requested **by 11th March** to crc@decc.gsi.gov.uk
- DECC will consider responses in conjunction with Devolved Administrations and other Whitehall Departments
- Continue the dialogue (respecting purdah period for local government and devolved elections) prior to producing proposals for future formal consultation

Further information at www.decc.gov.uk/crc

CRC Performance League Table

Overall Ranking	Organisation Name	Trading Name	Total Weighted Score	CRC Emissions t/CO2	Early Action Metric Combined EAM score %	Absolute Metric Absolute change %	Growth Metric Relative change %	Tick box questions
1	<u>Organisation P</u>	Brand P	15.81	XX,XXX	84	22	25	N,N,Y,Y
2	<u>Organisation F</u>	Brand F	12.51	X,XXX	82	17	20	Y,N,N,Y
3	<u>Organisation Z</u>	-	10.60	XXX,XXX	86	16	5	-
4	<u>Organisation S</u>	-	10.33	X,XXX	90	30	-1	N,N,N,N
5	<u>Organisation C</u>	Brand C	8.25	XX,XXX	83	9	13	Y,N,Y,N
								
3499	<u>Organisation M</u>	Brand M	3.80	XXX,XXX	0	-1	-10	-
3500	<u>Organisation G</u>	-	3.75	XX,XXX	0	-8	16	-

CRC Participant Scorecard (1)

Organisation name	SGUs								
Trading/known as name (if applicable)	List of SGUs [& their annual emissions]								
SIC code/public body type	List of Disaggregated SGUs								
CRC emissions (t/CO2)									
Overall ranking in main PLT									
Total weighted score									
Voluntary “tick-box” questions									
CCA exemptions claimed									
<ul style="list-style-type: none"> TUI for each CCA Undertaking to which it applies Emissions (t/CO2) covered by the CCA Total emissions (t/CO2) covered by the CCA 									
	Supplies for each fuel reported <table border="1"> <tr> <td>Electricity</td> <td>XXX,XXX kWh</td> </tr> <tr> <td>Natural gas</td> <td>XX,XXX kWh</td> </tr> <tr> <td>Fuel oil</td> <td>X,XXX tonnes</td> </tr> <tr> <td>FOR CONSULTATION</td> <td></td> </tr> </table>	Electricity	XXX,XXX kWh	Natural gas	XX,XXX kWh	Fuel oil	X,XXX tonnes	FOR CONSULTATION	
Electricity	XXX,XXX kWh								
Natural gas	XX,XXX kWh								
Fuel oil	X,XXX tonnes								
FOR CONSULTATION									
	Comments on factors which may affect position in the performance league table: <i>Text to be inserted by participant. The senior officer/director taking responsibility for the participant’s CRC report submission also takes responsibility for the content of this text field.</i>								