



## briefing note contents

Overview

What is the CRC Energy Efficiency Scheme?

Why was the CRC developed?

What is the aim of the CRC?

Who is affected by the CRC?

Requirements of the CRC

Fees associated with the CRC

What energy uses are excluded from the CRC?

Are the results of CRC participants publicly available?

Utilising energy generated from renewable sources

Non-compliance with the CRC

CRC and ESOS

References and further information

Contact details

# CRC Energy Efficiency Scheme

## Overview

The CRC Energy Efficiency Scheme (CRC) is a UK Government initiative to reduce carbon dioxide (CO<sub>2</sub>) emissions from large and medium-sized organisations meeting certain qualification criteria. Participation for these organisations is mandatory.

The CRC scheme came into force in April 2010 under the CRC Energy Efficiency Scheme Order 2010 and was replaced with the simplified 'CRC Energy Efficiency Scheme Order 2013' (CRC Order 2013).

Phase 1 of the CRC ended on 31 March 2014 and Phase 2 began in April 2014 and will end in March 2019.

## Why was the CRC developed?

Following the Stern Report (2006), 'manmade' climate change is high on the agenda of legislators. The Climate Change Act was introduced in November 2008 and set legally binding emission reduction targets for 2020 (reduction of 34% in greenhouse gas emissions based on 1990 levels) and for 2050 (reduction of at least 80% in greenhouse gas emissions based on 1990 levels), and introduced five-yearly carbon budgets to help ensure those targets are met. Following consultation, the CRC was finalised in October 2009 and introduced on 1 April 2010.

## What is the aim of the CRC?

It is the Government's intention that overall, the CRC Scheme is expected to reduce non-traded carbon emissions by 17 million tonnes by 2027.

In 2012 DECC announced simplifications to the CRC, however, within the measures was the move to remove the CCA exemption rule from Phase 2 of the CRC. Therefore, from 1 April 2014 any on site emissions not captured by a CCA or EU ETS will fall into the CRC.

## Who is affected by the CRC?

CRC applies to private and public sector organisations. There are certain prescribed public bodies known as mandated participants. These are all UK central government departments and devolved administrations, plus certain other

public bodies, which must participate in CRC regardless of the amount of electricity they consume.

Organisations that are not mandated participants qualify for Phase 2 if they, or their group, met both the criteria below between 1 April 2012 and 31 March 2013:

- They had at least one settled half hourly electricity meter (sHHM).
- They consumed 6,000 megawatt hours (MWh) or more of qualifying electricity supplied on the settled half hourly market.

Organisations that meet the qualification threshold must register using the CRC Registry, which is administered by the Environment Agency. Qualifying organisations have to comply legally with the scheme or face financial and other penalties.

### *Mandated participants of the CRC*

These are organisations to whom the qualification criteria do not apply, or apply differently. They are required to register as participants and include:

All UK Government Departments.

Local Government organisations mandated by the Secretary of State. (excluding state funded schools in England from April 2013)

### *Exempt organisations to the CRC:*

- Individuals including sole traders.
- The House of Commons and the House of Lords.
- Special Forces and units assisting the Government Communications Headquarters.
- Persons nominating special constables.
- International Organisations classified as having an exemption or relief from taxes under the provisions of the International Organisations Act 1968.

*There are specific rules for group companies, franchises, joint ventures etc, please refer to the Environment Agency website for further information.*

## Requirements of the CRC

Organisations which participate within the CRC Scheme are required to monitor their energy use, and report their energy supplies annually. The Environment Agency's reporting system applies emissions factors to calculate participant's CO<sub>2</sub> emissions on the basis of this information. Participants must purchase and



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surrender allowances to offset their emissions. Allowances can either be bought at annual fixed-price sales, or traded on the secondary market. One allowance must be surrendered for each tonne of CO<sub>2</sub> emitted. The allowance price in Phase 1 was set at £12 per tonne of CO<sub>2</sub>. The Chancellor of the Exchequer announced that the allowance prices in 2014-15 will be £15.60 per tonne of carbon dioxide in the forecast sale, (took place in April 2014) and £16.40 per tonne of carbon dioxide in the buy-to-comply sale (June/July 2015).

## Fees associated with the CRC

The fees are:

- Registration - £950
- Annual fee - £1,290

## What energy uses are excluded from the CRC?

- Supply for the purposes of domestic accommodation
- Supply for the purposes of transport
- Energy that is supplied to your organisation but is not all consumed all for the organisation's use. **Exception** – landlord organisations that are supplied with energy which is partly or entirely consumed by its tenants: the landlord is still responsible.
- Electricity used for the purposes of supply, distribution, generation or transmission by an organisation that has a license for such activities under the Electricity Act 1989.
- Street lighting in Northern Ireland.
- Energy use outside the UK (however, organisations can still be responsible for this supply if based outside UK).

## Are the results of CRC participants publicly available?

In the first years of the scheme, a CRC performance league table was published showing how each participant was performing compared to others in the scheme, based on a number of metrics including absolute and growth-adjusted reduction of emissions. The 2011/2012 CRC performance league table can be seen on the Environment Agency website.

After July 2013, these league and performance tables have been no longer published, and instead have been replaced by a publication of participant's energy use and emissions.

## Utilising energy generated from renewable sources

The CRC does not provide additional incentives for renewable generation. Where renewable sources of electricity give rise to Renewables Obligation Certificates and the electricity is exported onto the grid, it is treated as having the average carbon intensity of grid electricity.

## Non-compliance with the CRC

The possible fine for not registering by the end of the registration deadline is £5,000, with a further fine of £500 per working day until you complete the registration process. The daily fine can be imposed for up to a maximum of 80 working days, up to £45,000

## CRC and ESOS

The Energy Saving Opportunity Scheme is a Government programme soon to be introduced. It requires an audit to be undertaken by 5 December 2015, and then at least every four years from the date of the previous audit. The aim is to help drive the take-up of cost-effective energy efficiency measures by participants, benefiting their competitiveness and contributing to the wider growth agenda.

Only businesses with more than 250 employees or an annual turnover of more than €50 million will be covered by the scheme: organisations that tend to have a not insignificant energy spend. The Public Sector is not required to participate. There may also be exemptions put in place for businesses that can demonstrate that they already have a robust approach to reducing energy use, for example if they have achieved the Carbon Trust Standard.

The Government recognises that ESOS will have synergies with a number of existing policies including the CRC, Climate Change Agreements, the EU Emissions Trading System and mandatory greenhouse gas reporting. Therefore, as a part of ESOS, organisations will be allowed to make use of the energy data they have collected under existing schemes in order to minimise the costs of compliance.



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