

## The CRC – what to do now and what's on offer

The deadline for final CRC registration is just around the corner. Marc Height takes a look at the next steps in the scheme, and rounds up some of the support available for participants from industry players. On subsequent pages we include further articles focusing on the scheme.

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC), effectively a carbon-trading scheme focusing on reducing the 10% of UK emissions that come from large non-energy intensive organisations, is finally here.

Organisations that qualify for the scheme, those that have at least one half-hourly electricity meter installed and which used over 6,000 MWh of electricity in the qualification period from January–December 2008, have until September to register as a participant with the scheme's administrator, the Environment Agency. It is thought that around 5,000 organisations fall into this category. A further 15,000 that use less than 6,000 MWh will have to report on their emissions but are not regarded as full participants.

Aside from the longer name, there have been many changes to the legislation over the last year. This has led to reports, such as that contained in npower's 2010 Business Energy Index, that government advice on the scheme has been inadequate, and many participants are still unclear on their obligations. Indeed, recent reports have suggested that still only a small minority of those that are affected have actually registered.

### CRC – the basics

The CRC's aim is to improve energy efficiency in large public and private sector organisations. Participating organisations will have to monitor their emissions and purchase allowances for each tonne of carbon dioxide they emit, offering a direct incentive to reduce emissions. The second element of the scheme is a published league table, which, as well as showing the performance of every participant, will also result in a financial bonus or penalty depending on position.

The CRC follows a yearly cycle, beginning in April 2011, when allowances are sold to participants to cover their forecast emissions for that year at £12 per tonne of carbon dioxide. In July 2011, participants are required to submit a footprint report on their emissions performance for 2010–2011. The first league table outlining performance for the year will be published in October 2011, at which point organisations will re-receive revenue from allowances in the 'revenue recycling' stage. The idea is that those organisations which have performed better at reducing their emissions will receive a greater proportion of allowance revenue back, depending on their position in the league table, on top of saving energy costs through improved energy efficiency.

In April 2012 participants will then purchase allowances for 2012–2013, again at £12 per tonne of carbon dioxide. July 2012 sees reporting for 2011–2012, and the second league table is published in October 2012. In April 2013, the same process begins again, but this time there is a cap on the amount

of emission allowances available, and allowances will be auctioned to participants. This cap will tighten in the following years of the scheme. As the cap tightens and allowances become more expensive, it becomes more financially attractive to invest in greater energy efficiency measures – at least this is the theory. The rewards (and penalties) for good (or bad) performance in the league table will gradually increase in size as the scheme progresses.

As the focus of the CRC is on energy efficiency, all forms of generation fall under the scheme and are taken at grid-average intensity, even that which is self-generated. However, participants may be able to claim electricity credits for self-generated electricity, so long as credit is not already being received for these under Renewable Obligation Certificates or the Feed in Tariff.

Emissions reporting, and also the buying and selling of allowances, will all take place through the Environment Agency's online registry. All organisations are required to compile an evidence pack to support their reported emissions, which needs to include structural data on the organisation as well as electricity use data, information on company growth and any action taken early for the scheme.

A company director needs to take responsibility for the evidence pack, and failure to keep it up-to-date will result in a fine of £40 per tonne of carbon dioxide incorrectly reported. Records for 2010–2011 need to be kept for the duration of the scheme as these will be used as a basis for future comparisons. Organisations are required to measure their own performance themselves, with 20% of participants subjected to independent verification each year.

The scheme should be made a board level priority according to npower – as well as a director signing off the evidence packs, the company states that the CRC will require enterprise-wide investment and behaviour change to improve energy efficiency, which can typically only be sanctioned at the highest level.

### What to do now

The first step is to assess whether you qualify as a full participant – or not and so only have to report on your emissions – and then to register accordingly at [www.environment-agency.gov.uk](http://www.environment-agency.gov.uk). There is a registration fee of £950 and then an administration fee of £1,290 for every year of the scheme. Organisations that are not full participants still have to pay the registration fee. The penalties for a failure to register are more painful however – an upfront cost of £5,000 and then £500 for every late day.

The Department of Energy and Climate Change (DECC) advises participants to prepare for the first sale of allowances in April 2011 by budgeting ahead and working out

### Available support

If the decision is made to do everything in-house, analysis by Verdantix suggests that it is important to not simply rely on spreadsheets to handle energy data. A host of companies are offering different software solutions to record, analyse and report on energy use and emissions data. Here are a few of the options available:

#### Carbon software

According to Verdantix, a lot of organisations regard carbon management software as essential to do well in the scheme, and have budgeted for this. A number of companies are offering software solutions, including:

##### TEAM

TEAM's CRC software automatically consolidates and quality checks data, whilst a central database maintains all records for a participant's CRC evidence pack. Forecasting tools are available to help determine how many carbon allowances are needed to cover emissions in the following year.

The software features in-built data validation checks to ensure the required level of data quality for CRC reporting and compliance is achieved, says TEAM.

It can also apply different 'what if' forecasting methods which can be combined to make up a single forecast, allowing organisations to manage the financial risks associated with CRC. There is a 'scenario modelling' tool to allow the energy manager and financial director to simulate the effect of various energy saving projects in terms of energy, carbon and costs.

Visit [www.teamenergy.com](http://www.teamenergy.com)

##### Global CarbonSystems

Global CarbonSystems offer their Energy and Carbon Intelligence System (ECIS), a web-based platform which aims to streamline the capture and reporting of energy and carbon data, alongside wider environmental metrics. ECIS is a web-based platform which enables users to access their data on demand or via a wide range of scheduled reports that can be used to support CRC compliance, says the company.

Alongside an enterprise data capture and management functionality the ECIS platform supports a performance management framework that enables organisations to track and monitor energy efficiency programmes and verify return on investment.

The ECIS platform has been used by organisations in Australia affected by the National Greenhouse and Energy Reporting Scheme, a scheme similar to the CRC.

Visit [www.globalcarbonsystems.com](http://www.globalcarbonsystems.com)