

The CRC energy efficiency scheme

What is it?

The CRC Scheme, which became law in April 2010, requires businesses and organisations to report annually on their energy use and carbon emissions, and to buy carbon allowances for these emissions. The scheme applies to all primarily non-energy intensive large public and private sector organizations that used more than 6 million kWh (costing around £0.5 million) of half-hourly metered electricity in 2008 – it includes for example banks, supermarket chains, local authorities and central government.

The Government will publish national a League Table each year from October 2011 showing the performance of all the organisations in the Scheme. These League Tables generally reflect each organisation's ability to reduce its energy use but in the first year the tables reflect whether Automatic Meter Reading equipment is voluntarily installed in 2010 and whether Carbon Trust Standard (or equivalent) accreditation has been achieved.

The first phase of the scheme extends from April 2010 to March 2014. In the second phase, the plan is to cap the total number of allowances available nationally and auction them at the beginning of each year – thus ensuring that the country does reduce its emissions in these very important sectors of the economy. So-called secondary trading (between participants) would be allowed so that benefit can be gained from reducing energy use.

The scheme has been the subject of substantial revision from the government spending review in October 2010 and consultations ending in December 2010 and March 2011 – the future of the scheme and especially the arrangements for the second phase and the timing of allowances payments is up for consideration and change.

John Field, 17 February 2011

Key issues

- Participation is mandatory for qualifying organisations
- Organisations which used more than 6 million kWh of half hourly electricity in 2008 must participate
- Organisations which had even a single half hourly electricity supply in 2008 must make a registration – but do not need to report or buy allowances if usage in 2008 was below 6 million kWh
- Allowances must be bought every year – the cost in the first year (2011-12 to be paid in mid-2012) is set at £12/te CO₂, which is around 7% of energy costs, and works out at 0.65 p/kWh of electricity and 0.22 p/kWh of gas.
- Allowances costs are retained by the government and not repaid to participants.
- Each year from July 2011 an Annual Report of energy use and emission for the previous year must be submitted. In the first year a Footprint Report of all emissions is required.
- The Scheme publishes a single League Table each year from October 2011 reflecting the performance of each participant – mainly the year-on-year reduction in carbon emission, although early action metrics apply in the first year
- The Scheme has been subject to major modification and national consultation in its first year and so further changes are possible after the current consultation ending March 2011

Web links

CRC registration: <http://www.environment-agency.gov.uk/business/topics/pollution/109244.aspx>

CRC reporting & recording: <http://www.environment-agency.gov.uk/business/topics/pollution/116626.aspx>

CRC further information: <http://www.environment-agency.gov.uk/business/topics/pollution/105760.aspx>

CRC guidance about evidence: <http://publications.environment-agency.gov.uk/pdf/GEHO0310BRZA-e-e.pdf>

CRC information at DECC: http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/crc.aspx