

The Carbon Reduction Commitment at a glance

Do you understand the impact of the Carbon Reduction Commitment legislation on your business?

What is it?

The Carbon Reduction Commitment (CRC) is a legally binding carbon trading scheme that starts in April 2010. It will require qualifying organizations to report on carbon dioxide emissions, purchase allowances sufficient to cover carbon dioxide emissions and maintain adequate records of compliance.

In the introductory phase, there is no limit on how many emissions allowances that can be sold and these will be sold at a fixed price of £12/tonne of CO₂ by the government. In subsequent phases, there will be a “cap” (limit) on the number of allowances sold and they will be sold by auction.

Emission allowances will also be available in the secondary market – for example from companies which have managed to reduce emissions and therefore have a surplus of allowances.

In order to minimise the impact on companies, all revenue raised by the government in selling allowances will be recycled back to participants. Companies will receive a bonus or penalty depending on their position in a “performance league table”, based on their performance in reducing energy related carbon emissions.

Why was it introduced?

The issue of climate change is rapidly moving up the agenda. This has led to a number of different regulatory instruments being put in place, both at UK and EU level. It is widely recognised that both the Climate Change Agreements (CCA) and EU Emissions Trading Scheme (ETS) do not cover all industrial and commercial emissions.

Is it mandatory?

Yes - if you qualify.

Failure to meet your obligations under the scheme so could result in fines or prosecutions.

How do I know if I qualify for the CRC ?

If you have half hourly settled electricity meters anywhere in your organisation, you will be required to register with the CRC. However you will not be a full participant unless your total half hourly electricity use, **across your organisation**, in the “qualification year” (2008) was greater than 6,000 MWh.

The “highest UK parent” is responsible for emissions from all its subsidiaries. If the highest parent company is based outside the UK, a UK agent will need to be appointed to act for the group.

What emissions does it cover?

The CRC will cover energy related Carbon Dioxide emissions, mainly from stationary sources. If your main uses are electricity and gas, it is likely that you can exclude small uses of fuel oil, solid fuels etc. However you will need to undertake an inventory of your emissions to understand this.

Are there any exemptions?

Transport emissions are excluded, as are emissions covered by a CCA or EU ETS. You or some of your subsidiaries **may** be exempt from the CRC if more than 25% of your emissions are covered by a CCA or by the EU ETS.

When does the scheme start?

The introductory phase of the CRC runs from April 2010 to March 2013. Organisations with half hourly meters will receive qualification packs in Autumn 2009. They will need to register online between April 2010 and September 2010.

They will then need to produce a “footprint report” – essentially a baseline report which reports all the relevant emissions and identifies which are covered by the CRC.

The first allowance sale will take place in April 2011 for the financial year 2011/12.

What do I need to do next?

- Get informed – read EEF’s short guide to the scheme
- Work out if you qualify as a full participant
- Understand your carbon emissions and likely allowance purchase requirement
- Understand your energy saving opportunities and how to improve your league table position

For support and information, contact:
Alessandra McConville
020 7654 1680
crc@eef.org.uk