

October 2007

EEF Consultation submission on the implementation of the Carbon Reduction Commitment

Name	Amisha Patel
Organisation / Company	EEF the manufacturers' organisation
Organisation Size (no. of employees)	
Annual electricity use (MWh) / total energy bill (if known)	
Job Title	Environmental Policy Adviser
Department	Environment
Address	Broadway House Tothill Street London SW1H 9NQ
Email	apatel@eef.org.uk
Telephone	020 7654 1501
Fax	020 7976 8056

Organisation Type	Please mark/give details as appropriate	
NGO	<input type="checkbox"/>	
Public Sector (e.g. local / central government, hospitals, universities) (please give details)	<input type="checkbox"/>	
Retail Sector (e.g. supermarkets) (please give details)	<input type="checkbox"/>	
Service Sector (e.g. cinemas, hotel chains, banks) (please give details)	<input type="checkbox"/>	
Light Industry / Manufacturing	<input type="checkbox"/>	
Property Management	<input type="checkbox"/>	
Trader / Verifier	<input type="checkbox"/>	
Research Institute	<input type="checkbox"/>	
Other (please give details)	<input checked="" type="checkbox"/>	

About Us

EEF is the representative voice of manufacturing, engineering and technology-based businesses with a membership of 6,000 companies employing around 800,000 people. Comparing 11 regional EEF Associations, the Engineering Construction Industries Association (ECIA) and UK Steel, EEF is one of the leading providers of business services in employment relations and employment law, health, safety and environment, manufacturing performance, education, training and skills.

Executive Summary

EEF continues to support the government's commitment to increase energy efficiency and reduce emissions in the 'large non-energy intensive' sector. However, we are still not convinced that the proposed Carbon Reduction Commitment (CRC) scheme is an effective method to achieve these objectives and fear that the scheme may have an adverse impact on manufacturing.

Data obtained through EEF's Energy survey 2007 identified that only 9% of the 215 respondents believe that they will fall into the CRC threshold. Market forces and existing policies already provide a powerful price incentive to invest in energy efficiency measures. Our research showed that the organisations that are likely to participate in the scheme are already applying or are planning to adopt energy efficient measures within their organisations (please refer to Annex1).

Businesses have faced significant energy price inflation over the past few years and are already subject to two further energy price signals – the pass-through of the EU ETS carbon costs by electricity suppliers and the Climate Change Levy (CCL). The exclusion of large CCA organisations with at least 25% of their total energy use emissions covered by CCAs is welcomed; however it is surprising that EU ETS sites are not excluded from the scheme.

The proposed 'top down' approach to identify a UK parent organisation appears to have gaps that require further consideration for the method to work effectively (i.e. accounting for shareholder value in subsidiaries and an organisation's legal structure).

The CRC can, to some extent, avoid placing significant financial pressure on organisations by adopting the proposed options of a sealed bid auction, deferred payment by 12 months and an introductory fixed price sale set at option A (£8/tCO₂), to the scheme.

In order for 2008 to be set as the qualification year, EEF would like to stress that organisations be provided with knowledge of CRC promptly to be given a chance to input into its design, as well as determine if they are participating. The advertising/promotion of the CRC should be carried out as soon as possible, in order to allow organisations adequate time to set up Monitoring, Reporting and Verification (MRV) systems.

Section B - Coverage: Which organisations and emissions will be covered by CRC?

1. Should the CRC apply on a UK-wide basis, or should the Devolved Administrations develop separate schemes?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If separate schemes, how can we guarantee a level playing field for operators and that the required carbon reductions estimated from the CRC would be realised?	
If the CRC is introduced it should be applied on a UK wide basis. The creation of individual schemes by the devolved administrations will further complicate the implementation and run the risk of introducing of distortions between jurisdictions.	

2. Is the 'top-down' approach of defining a CRC organisation a suitable way of identifying large, non-energy intensive organisations?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>
If not, can you suggest a preferable alternative?	
<p>EEF have noted several factors which appear to complicate the process of defining the UK parent organisation:</p> <ul style="list-style-type: none"> • Many organisations will have percentage shareholder value in subsidiary organisations; EEF is concerned with regards to how this will be assessed/measured to decide their inclusion or exemption from the scheme. • We also have concerns surrounding the treatment of joint venture companies, who may have their own agreements with regards to who the operator is. We therefore seek clarification of how these differences in operations will be dealt with. • There is no mention of how an organisation's legal structure will be taken into account, we feel this is an important element to consider. • EEF is concerned how company mergers and take-overs during the operation of the scheme will be taken into account. • EEF believes the above factors need to be addressed for the approach of defining a CRC organisation to work effectively. <p>In addition, we believe that Defra need to ensure that the CRC will avoid putting UK companies at a competitive disadvantage in the international market, through increased costs that can not be passed onto customers. EEF has significant experience in this area and would be more than happy to share our findings with Defra.</p>	

3. Do you have a view as to what would be the appropriate highest UK parent organisation for public sector participants?
EEF has no view on this issue.

4. Do you have a view as to whether Government should proceed with either option (A) or (B) above?			
Option A	<input checked="" type="checkbox"/>	Not sure	<input type="checkbox"/>
Option B	<input checked="" type="checkbox"/>	Neither – do not allow any split	<input type="checkbox"/>
Further comments			

EEF welcomes a voluntary element to this part of the scheme; we believe that organisations should have the choice to adopt either option A or B. We do not think this flexibility will add complexity to the scheme.

Large organisations are often divided into separate subsidiaries to ensure the efficiency of their different areas of work. As an operational advantage, these subdivisions are responsible for their energy expenditure etc. The government must explain how the proposed CRC scheme will address these different decision-making structures.

5. Could your organisation manage these procedures to correctly identify the CRC organisation?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>
If not, which particular aspects of the organisation identification procedure would cause a problem?	
The three steps the consultation suggests to identify who owns meters look equitable. However, the method has the potential to be rather time-consuming. Organisations will have to obtain data from all the meters within their subsidiaries and include data from all energy suppliers (if using more than one supplier) this is likely to be a complex procedure and take time to administer.	

6. Could the procedures be simplified and still allow Government to identify non-compliant organisations? If so, how?	
EEF welcomes the changes to the governments approach (learning from CCA) in encouraging electricity suppliers to become involved in the process. EEF believes strong links with electricity companies will prove to be a valuable element to identify the scope of the scheme.	
EEF believes that the CRC should be promoted or advertised as soon as possible. One possible approach could be through printing information on energy bills.	

7. Do you agree that 2008 should be used as the qualification year?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, which time period would you recommend?	
Other Calendar Year	<input type="checkbox"/>
Other 12 month period (please state)	
Further Comments	

EEF would like to stress that organisations be informed of the CRC promptly. It is important that they have plenty of time to determine if they are participating.

We also propose that government keeps an open position with regards to setting a suitable qualification year and considers how long it will take organisations to collate the correct data.

8. Do you agree that the proposed approach to establishing which CRC organisation is responsible for energy use in a tenanted property is workable?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, what prevents it from being workable?	
EEF recognise that the landlord tenant issue is a concern to many organisations. We urge Defra to continue evaluating the detailed implementation of the current proposal to ensure it avoids unnecessary administrative burdens.	
Can you suggest an alternative approach that is preferable and retains the emissions coverage of the current proposal?	

9. Which option should Government take forward to ensure wide emissions coverage of CRC?	
Option 1	<input type="checkbox"/>
Option 2	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

EEF welcomes the government's proposal to set a *de minimis* to exclude sites with very low emissions to minimise any additional reporting burden.

EEF believes a flexible *de minimis* will stand a better chance of obtaining the CRC objectives of ensuring wide coverage. Option two, although flexible by nature, seems to be a more robust approach. It will make organisations think about the way their energy use emissions will be covered, in order to meet the target.

We believe that the inclusion of discretionary half-hourly metered consumption within the scheme should be at the discretion of a participant (or potential participant).

Automatic inclusion could discourage its installation. However, we appreciate that automatic exclusion could increase the participation cost for organisations with both types of metering installed and which monitor consumption on an aggregate basis. With this in mind we are inclined to support option two as it will remove the burden of reporting very small fuel use (hence low site energy emissions) from organisations.

10. Do you agree that organisations should be able to include all their sites in the scheme?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If so do you agree that they should not be able to remove them at a later date?	
EEF believes that organisations should be granted the option of being able to opt all of their sites in and out of the scheme. We support a voluntary measure, especially during the introductory phase of the scheme. We feel this approach will encourage more organisations to include their sites, in order to simplify MRV systems. A more rigid approach may have a negative impact and discourage prospective participants.	

11. Do you agree with the Government's proposal to implement a site level fuels <i>de minimis</i> ?			
Yes	<input checked="" type="checkbox"/>		
No	<input type="checkbox"/>		
Not sure	<input type="checkbox"/>		
Should this be set at 5% of site energy use emissions, 3% or some other percentage?			
3%	<input type="checkbox"/>	5%	<input checked="" type="checkbox"/>
Less than 3%	<input type="checkbox"/>	Higher than 5%	<input type="checkbox"/>
Not sure	<input type="checkbox"/>		
If <3% or >5% please state a level and explain why			
The proposal of setting a <i>de minimis</i> to avoid organisations being captured for small infrequent usage of fuel is welcomed by EEF. Although the incentive for gaming does not appear to be high, EEF welcomes this approach as a positive change (to the design of such schemes, for example, CCA does not have a <i>de minimis</i>).			
However, care should be taken with how different grades of oil are treated and certain usage of bottled gas. A balance must be adopted between the increased administrative burden and level of emissions.			
Do you think that this percentage should be based on site energy use emissions (as proposed) or total site energy spend?			
Energy use emissions	<input checked="" type="checkbox"/>		
Energy expenditure	<input type="checkbox"/>		

Further comments	
<p>The scheme focuses on energy efficiency and influencing organisations to reduce emissions generated by the use of electricity. EEF believes that the percentage should be based on energy use emissions as this will be consistent with the overall objective of the scheme.</p>	

12. Do you agree that CCA organisations with more than 25% of their energy use emissions in CCAs should be excluded as described in the diagram above?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
<p>EEF welcomes the exclusion of large CCA organisations with at least 25 % of their total energy use emissions covered by CCAs, in order to avoid duplication which may discourage organisations to implement energy efficient measures.</p> <p>Avoidance of overlap should be a priority of this proposal as reporting periods, gases, coverage and Certified Emissions Reduction (CER) certificates differ across the various schemes.</p> <p>We are surprised to find that EU ETS sites are not excluded from the scheme. The incentives to become more energy efficient provided by market forces are apparent in both European and UK policy. Organisations are already facing the cost of electricity related emissions through the pass-through of EU ETS carbon costs. Therefore, EEF is concerned that the impact on those organisations with a large proportion of their emissions covered by the EU ETS is underestimated. We propose that those organisations with a significant proportion of their emissions covered by the EU ETS should also be exempted from the CRC scheme.</p> <p>In addition EEF has reservations about the practicality of the approach that a company with CCA sites is caught if they compete with others in a non-CCA context.</p>	

13. Do you agree that unmetered supplies (UMS) should be included in the CRC, subject to a suitable <i>de minimis</i> ?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

14. Do you agree that pseudo half hourly metering should be incentivised by the CRC?	
Yes	<input type="checkbox"/>

No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
If yes, do you think:	
a) That pseudo half hourly metering should be treated in the same way as AMR for the purposes of the performance league table?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
EEF is not convinced that pseudo half hourly metering or any other form of metering in particular should be explicitly incentivised by the CRC. This will add complexity to the scheme. The focus of the scheme is to lower energy consumption and reduce emissions. The scheme should leave participants to decided how best to save energy.	
b) That the standard UMS billing methodology should be treated as an 'estimate' for the purposes of the adjustment factor and that pseudo half hourly metering should not be?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

15. In terms of non-rail energy, would you highlight any key issues specific to the rail sector that Government should bear in mind in developing the CRC policy design?
EEF has no views on this issue.

16. Given the UK commitment to consider the inclusion of surface transport within the EU ETS, do you agree that rail energy should currently be excluded from the CRC?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If excluded, what other policy approaches (including voluntary action) would be most suitable to deliver energy efficiency benefits and emissions reductions from train energy use?	

EEF has no views on this issue.

17. Do you think there are significant cost-effective opportunities for energy efficiency within schools?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		
EEF has no views on this issue.		

18. Do you agree with the Government's decision not to mandate the inclusion of all school energy use within local authority portfolios for CRC?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		
EEF has no views on this issue.		

19. Do you agree with the proposed approach – of including school energy use within CRC local authority portfolios where such authorities pay the energy bill?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		
EEF has no views on this issue.		

20. Do you agree with the overall principle of not having to report changes of operation during each phase of the CRC?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
<p>EEF believes that CRC organisations should not have restrictions on when they can or cannot report changes of operation. Organisations should have the option to report significant changes at any time in the scheme.</p> <p>We agree that the overall principle of not having to report changes of operation during each phase of CRC will decrease the administrative burden. However, a major change such as a subsidiary being sold or a new one purchased, could have a significant impact on the organisation's CRC performance. Also opportunities to improve data should be allowed at any time throughout the scheme timetable. Organisations should therefore be given the option to report changes at any time.</p>	

21. Are each of the proposed exceptions to the overall approach reasonable?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
<p>EEF believes that the consultations' 'proposed exceptions' are designed so that an organisation cannot unfairly benefit or be unfairly disadvantaged. The exceptions are not heavy on administration. However, the scheme is more likely to run efficiently if these changes are made at the beginning of each phase rather than during them.</p>	

SECTION C – CRC Phases and Cap Setting

22. Do you agree with the proposed overall approach on cap setting?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
<p>EEF has been supportive of the overall framework set up by the Climate Change Bill. We have called for the Committee on Climate Change to have an advisory role in determining both carbon budgets and the policy measures implemented to achieve those budgets. In light of this, EEF supports the proposed overall approach on cap setting.</p> <p>However, EEF seeks clarification on the interaction of CRC and EU ETS targets within the overall policy mix, including how this will be administered by the Climate Change Committee.</p>	

SECTION D – Scheme Market Design

23. Which price option do you think would be most appropriate for the introductory phase fixed price sale?			
Option A	<input checked="" type="checkbox"/>	Option C	<input type="checkbox"/>
Option B	<input type="checkbox"/>	Other (please specify)	
None	<input type="checkbox"/>		
Further comments			
<p>EEF believes that 'Option A' is the most suitable. It will allow members time to assess the cost of reducing emissions without subjecting organisations to an unacceptable level of financial exposure in the introductory phase.</p> <p>It should be remembered that this will be the first time that most CRC organisations will have had experience of emissions trading, therefore it should be accepted that there will be a short 'learning by doing' phase to the scheme.</p>			

24. Do you think CRC organisations would undertake significantly greater carbon abatement under the Option with the highest carbon price?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>
Further comments	
<p>EEF believes the scheme needs time to bed in before such measures are introduced. The government, where possible, should attempt to avoid implementing such measures in the introductory phase.</p>	

25. Which auction mechanism would you prefer – the sealed bid auction or the dynamic ascending clock auction?	
Option A - sealed bid auction	<input checked="" type="checkbox"/>
Option B - dynamic ascending clock auction	<input type="checkbox"/>
Further comments	
<p>EEF would favour the sealed bid auction (Option A) on the basis that it is simpler. The key initiative of the CRC is to make organisations improve their energy efficiency. The pressure to become experts at bidding would add a burden to participating in the scheme and could deter organisations away from this focus.</p> <p>In order to be able to participate in a dynamic ascending clock auction (Option B), a number of senior decision-makers would be required to be in the room at the same time, which may make full engagement difficult.</p> <p>In light of the above, EEF is inclined to support Option A, but to keep the possibility of moving to Option B open, once the CRC organisations gain more experience within the scheme.</p>	

26. Do you agree with the auction should take place each January, at the beginning of the emissions year?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
EEF agrees that the auctions should take place at the beginning of the emissions year.	

27. Which payment option do you prefer?	
Payment at time of auction	<input type="checkbox"/>
Payment deferred by 12 months	<input checked="" type="checkbox"/>
Further comments	
<p>EEF welcomes the option to defer payment by 12 months. The consequences of auctioning can have a serious impact on an organisation's cashflow. Any interval between auctioning and recycling would impact the cashflow of participants and deprive them of funds that could otherwise be used to invest in energy efficiency measures.</p> <p>In addition, making a single payment for allowances bought at auction net of any recycling funds returned to a participant should lessen the administrative burden of the scheme. Two financial transactions can be replaced with one.</p>	

28. Do you agree that Government should limit the auction to only scheme participants and their agents?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
<p>EEF welcomes the proposal to limit the auction to only scheme participants and their agents. This will ensure more control over the scheme. However, we are concerned that this may prove difficult in practice.</p> <p>EEF accepts that a closed auction may create liquidity problems and therefore believes that any decision should be reviewed after a certain period of time and changed if the system proves not to be working.</p>	

29. Do you think there should be a limit placed on the percentage of allowances available to any one participant to buy in the auction?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

EEF agrees with the principle of a limit being placed on the percentage of allowances available to any one participant to buy in the auction, but is sceptical that a meaningful percentage can be identified.

30. Does the proposed mechanism for operating the safety valve seem reasonable?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not what changes would you suggest?	
<p>The concept of a 'safety value' would be useful to the scheme. EEF believes organisations should be allowed to use EU ETS allowances to achieve compliance. EEF would argue that there should not be a lower price limit set on the use of EU allowances for CRC compliance - policy should aim for convergence of carbon prices generated by different schemes.</p>	

31. Do you think that a bonus or penalty of +/- 10% as described above is appropriate?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, do you think the bonus or penalty should be higher or lower (please state a percentage)?	
<p>The league table adds a complex element to the scheme. EEF has concerns with regards to the credibility and workability of the performance league table. Given these concerns, we are minded to suggest that bonus/penalty should remain at no more than +/-10% until the league table is proven.</p> <p>However, EEF believes that the incentive should be delivered through the carbon price generated by the allowance and that additional incentive mechanisms are at best unnecessary and at worst could introduce greater uncertainty around the carbon price. If the scheme is designed correctly and the cap set at an appropriate level there should be no need for additional incentive mechanisms which add complexity to the scheme.</p>	

32. Should the rate of bonus or penalty increase steadily and gradually over time?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
If yes, please state by how much and how regularly you think these increments should be applied (e.g. 5% increments per year: +/-10% for year 1, +/-15% for year 2, +/-20% for year 3 and so on)?	

See comments set out in section 31.

33. Should the league table include a metric to recognise those organisations who have been undertaking good energy management practices for some time?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If so, Do you agree with the proposed AMR metric as a proxy for early action?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>
If not, please state a better alternative metric that meets the stated league table design criteria.	
<p>We are not entirely convinced that the proposed Automatic Metering metric is suitable. Given that the league table is potentially the most important element of the scheme, (as it determines how much money an organisation would receive via the recycling route and furthermore influence how the organisation is perceived) we are sceptical that the proposed early action metric would be effective, as the method of metering does not actually prove that energy saving measures are being used.</p> <p>In general, EEF believes that the scheme should be 'technology neutral' – i.e. it should not explicitly promote particular energy saving measures, participants should be given maximum freedom to decide on their abatement strategies.</p> <p>EEF is also concerned that the cost of the scheme, in terms of being a net purchaser of allowances, could fall on those companies least able to invest in energy efficiency and those who have already exploited the most cost effective options. In this respect any organisation having made significant investments prior to the introduction of the CRC would be at a disadvantage. Especially where these investments are high cost and long lived assets – e.g. more efficient air conditioning systems in semiconductor plants. We would ask the government to consider these elements when considering the design of an early action metric.</p>	
Further comments	
<p>We support the government's proposal to include this measure, but urge that only a small percentage of the recycling revenue be assigned to the early action metric, for the reasons stated above.</p>	

34. Would the benefits of the league table including a few simple yes / no disclosure based questions outweigh the additional complexity involved?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input checked="" type="checkbox"/>
If so, are the questions outlined above appropriate?	

Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input checked="" type="checkbox"/>	
<p>EEF is sceptical that the questions proposed in the consultation are suitable to assist with identifying carbon emissions reductions in a quantitative way. The questions do not have a direct link to reducing carbon emissions, for example, a company may have appointed a Director with the responsibility for overseeing carbon performance in its annual reporting and therefore tick yes; however this does not guarantee that the efforts were effective. EEF does accept the benefits that qualitative measures can have in reducing carbon emissions within an organisation. This is clearly evident within CCAs. However, it must be proven that effective energy management has been implemented throughout the organisation structure.</p>		
<p>And, should they be incorporated for revenue recycling calculations?</p>		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input checked="" type="checkbox"/>	
<p>If the questions are to be included, they should be incorporated for recycling calculations, this will provide organisations with an incentive to answer them and avoid them from acting as just another reporting burden.</p> <p>It may also encourage organisations to implement the actions enhanced by the questions.</p>		

<p>35. Do you think that the CRC league table should include a relative metric to take account of organisational growth / decline?</p>		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<p>If yes, do you agree with the proposed growth metric described above?</p>		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
<p>If not, please state a better alternative that meets the stated league table design criteria.</p>		
<p>Further comments</p>		
<p>EEF welcomes the government's proposal to include a relative metric to take account of organisational growth/decline. We are in favour of the proposed growth metric but are concerned that the timing of availability of financial data may be an issue. A complete record of annual figures may not be ready in time to meet the CRC reporting deadline. This has been the experience of many CCA participants, with data often not being available (from energy suppliers) for many months after a reporting period.</p>		

36. Do you agree that if turnover / revenue expenditure is used to formulate the growth metric, that organisations should report the published figure for the financial year that most closely corresponds with the 'emissions year'?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
We welcome this proposal, as many organisations have historical robust reporting systems in place that would clearly provide auditable information. Any attempt to force organisations to conform to different reporting periods may reduce the confidence currently assigned to those data.	

37. If early action and growth metrics are included in the league table, do you agree with the proposed weighting of 60%: 20%: 20% (absolute: early action: growth)?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, please suggest an alternative weighting that you prefer?	
EEF proposes the weighting of 70%: 10%: 20%. The metrics concerning energy use and growth are more important and should be given greater weightings than the proposed 60%:20%:20%. The proposed growth metric is a reliable (in terms of reporting and calculating) element of the league table. EEF is sceptical that the early action metric will be as reliable and propose that a lighter weighting be allocated to it.	

38. Do you agree that the Government should be able to adjust key parameters within phases if absolutely necessary as an option of last resort?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
If yes, what limits should be placed on the use of this power (e.g. requirement to engage in public consultation as to whether circumstances are sufficient to justify use of the power, and with Parliamentary approval)?	
EEF believes that key parameters should not be adjusted within phases: this would increase regulatory risk and could, as a result, increase the cost of capital for energy efficiency investments. EEF propose that government seek consultation from stakeholders prior to making a decision to adjust key parameters within phases.	

39. Should a percentage of CRC auction revenues be top-sliced and either given to Carbon Trust / Salix or handed out to participants as credits/ tokens?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>

If so, do you prefer Option A, paying 10% of auction revenue directly to Carbon Trust / Salix, or Option B paying 10% of each participant's revenue recycling payment as 'credits'?	
Option A	<input type="checkbox"/>
Option B	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
<p>The recycling of auction revenues is essential to the scheme. It is mandatory for participants to enter and fund the scheme in its entirety; therefore, EEF believes it is important that revenues be recycled in full directly to CRC participants. This should be done in a way that minimises the financial burden of the scheme and supports those captured by it, to improve their energy efficiency. This will strengthen the incentive of the scheme to participants. EEF strongly opposes the option to top-slice auction revenues to give to the Carbon Trust/Salix.</p> <p>The objective of the CRC scheme is to deliver a benefit for society as a whole – i.e. reduce emissions, therefore, all revenues should be recycled so as to minimise the cost of compliance for those captured by the scheme.</p> <p>In addition, the option to hand out credits to organisations at the top of the league table would only add to the element of differentiating between those organisations who are doing well and those in need of assistance. The league table is designed to do this; we do not therefore see the need for this affirmation.</p>	
What percentage of CRC auction revenue should be top-sliced and either given to Carbon Trust / Salix or handed out to participants as credits/ tokens?	
5%	<input type="checkbox"/>
10%	<input type="checkbox"/>
Greater than 10%	<input type="checkbox"/>
Further comments	

SECTION E - Monitoring, Reporting and Audit

40. Do you agree with the Government's proposal on what would be required within an 'evidence pack'?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, why not?	
<p>EEF agrees with the elements included in Government's proposed evidence pack, however, we would like to see the Government give further consideration to the content regarding auditing arrangements in order to reduce the possibility of fraud.</p> <p>Defra should consider the guidance set out in CCA Underlying Agreements relating to the Qualitative Requirements. The guidance is particularly helpful and easy to understand and implement as an Energy Management System (EMS) within an organisation.</p>	

41. Do you agree with this approach to reporting emissions from CHP?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, why not? / Further comments	
<p>EEF welcomes the Government's decision to 'Zero rate' the use of electricity generated by onsite renewables that is not used to generate ROCs.</p> <p>EEF believes that 'Green' electricity consumption should be excluded from the scheme regardless of whether or not it is supplied from the grid. Electricity sourced from low-carbon generation (e.g. renewables) when treated the same as other grid-imported electricity, will penalise those companies who have switched to green electricity as a valid carbon reduction strategy.</p> <p>Government policy should promote low carbon energy. Failure to exempt 'green' electricity would be missing an opportunity to help empower environmentally conscious consumers and might give the impression that the scheme is geared towards cutting energy consumption rather than emissions.</p>	

42. What in your experience is the extent of estimated billing for energy use on which CRC returns would be based?
EEF has no views on this issue.

43. Do you think that there should be an adjustment factor for any estimates of energy use from individual sources in a CRC organisation to encourage operators to read their own meters or press for accurate bills from their suppliers?	
Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
<p>EEF believes that pressure should be put on energy suppliers to provide more accurate bills and not on the CRC organisations.</p> <p>Whilst EEF members will have systems to accurately record energy use, whether via meter readings, supplier invoices or both, the onus should not be placed on those companies to encourage energy supply companies to improve their billing operations.</p> <p>CRC will provide an additional opportunity (following on from CCAs) for government to persuade energy suppliers to offer a better, more accurate and timely billing service.</p>	
If so, is 10% the right figure to apply?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

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44. Are there any other suggestions for reducing reliance on estimated bills?	
Please see comments from Q.43	

45. Does your organisation have previous experience of using other similar online registries?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
If yes, which registry / registries does your organisation have experience of and what features worked well / badly (please specify)?	
<p>EEF has had previous experience in relation to the UK ETS Registry. The registry works well, but could be simplified and made more user friendly. However, this might be dealt with by Defra producing a good FAQ guide.</p> <p>The user authentication methodology is reasonable, as apposed to the EU registry. Therefore Defra should consider building upon the UK, rather than EU systems.</p>	

46. Do you have any further comments or suggestions in relation to the features and functions the CRC registry should have?	
The UK registry works well largely because of its simplicity.	

47. Do you agree that organisations that fail to provide the necessary evidence for exemption on CCA grounds within the required timescales should not be exempted from the scheme?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

EEF would agree with this proposal, if it results in the number of ‘free riders’ being reduced. However, certain organisations may have a reasonable excuse for not providing necessary evidence to government. Therefore, EEF believes that there should be some flexibility applied to this approach.

48. Do you agree that a more moderate fine can be applied to over-reporting of emissions than under-reporting?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
EEF holds the view that no fine should exist for over-reporting. EEF appreciates the government wanting to compel participants to report accurately. However, we believe the structure of the league table and the need to surrender an allowance for each emission reported already provides organisations with a strong enough incentive to avoid over-reporting. EEF suggest that those organisations that over-report be identified in the performance league table as proposed in the consultation, but without the existence of a penalty function.	

49. Do you agree with the overall approach towards penalties – of proportionality between the offence and the penalty?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	
This approach seems wholly reasonable, as not to discourage organisations that are fully complying with the scheme’s requirements.	

50. Do you agree with the proposed approach on penalties in respect of the offences listed?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, please state areas where you have substantial concerns.	
This sort of flexibility and continuum range of penalties does take into account the problem that some organisations face in terms of cash flow.	

Annex 1

EEF Energy Survey – summary of data that applies to CRC

*19 Companies out of the 215 respondents believe they are CRC organisations

Size of Company	Frequency	Percent
101-250	6	31.6
251-500	5	26.3
501+	8	42.1
Total	19	100

Sector	Frequency	Valid Percent
Rubber & Chemicals	1	5.6
Metals	4	22.2
Electrical & Optical	1	5.6
Other transport	5	27.8
Other manufacturing	1	5.6
Non manufacturing	6	33.3
Total	18	100

Organisations conducting an energy efficiency audit

	Adopted	Considering adopting	Not considered	Considered but rejected	
Non CRC org	59.6	19.3	18.1	2.9	100
CRC org	89.5	10.5	0.0	0.0	100
All org	62.6	18.4	16.3	2.6	100

Organisations upgrading metering

	Adopted	Considering adopting	Not considered	Considered but rejected	
Non CRC org	31.8	18.5	42.7	7.0	100
CRC org	50.0	27.8	22.2	0.0	100
All org	33.7	19.4	40.6	6.3	100

Organisations with heating efficiency

	Adopted	Considering adopting	Not considered	Considered but rejected	
Non CRC org	31.1	19.3	44.1	5.6	100
CRC org	36.8	36.8	26.3	0.0	100
All org	31.7	21.1	42.2	5.0	100

Organisations manufacturing process efficiency

	Adopted	Considering adopting	Not considered	Considered but rejected	
Non CRC org	36.2	33.7	28.8	1.2	100
CRC org	61.1	27.8	11.1	0.0	100
All org	38.7	33.1	27.1	1.1	100

Organisations changing lighting

	Adopted	Considering adopting	Not considered	Considered but rejected	
Non CRC org	36.1	30.8	26.0	7.1	100
CRC org	47.4	42.1	5.3	5.3	100
	37.2	31.9	23.9	6.9	100

Organisations with senior management involved in energy efficiency

	Very involved	Involved	Somewhat involved	Not involved	N/A	
Non CRC org	46.7	32.2	11.8	3.9	5.3	100
CRC org	41.2	29.4	17.6	5.9	5.9	100
All org	46.2	32.0	12.4	4.1	5.3	100