The cost of carbon emissions and the value of CRC

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Carbon Trust
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Our mission is to accelerate the move to a low carbon economy

We cut carbon emissions now

- By providing business and the public sector with expert advice, finance and accreditation
- By stimulating demand for low carbon products and services

We cut future carbon emissions

- By developing new low carbon technologies through project funding and management, investment and collaboration
- By identifying market barriers and practical ways to overcome them

What is the CRC?

- ***Mandatory*** emissions trading scheme focusing on large non-energy-intensive organisations
  - Means of extending cost of carbon across broader parts of the economy (critical to meeting UK's long term carbon targets)
  - Up to 5,000 companies, equating to emissions of ~50 $MtCO_2$ not covered by the EU ETS and CCAs
    - Minimum ½hrly metered electricity consumption of 6000MWh; equivalent to >~£500k spend

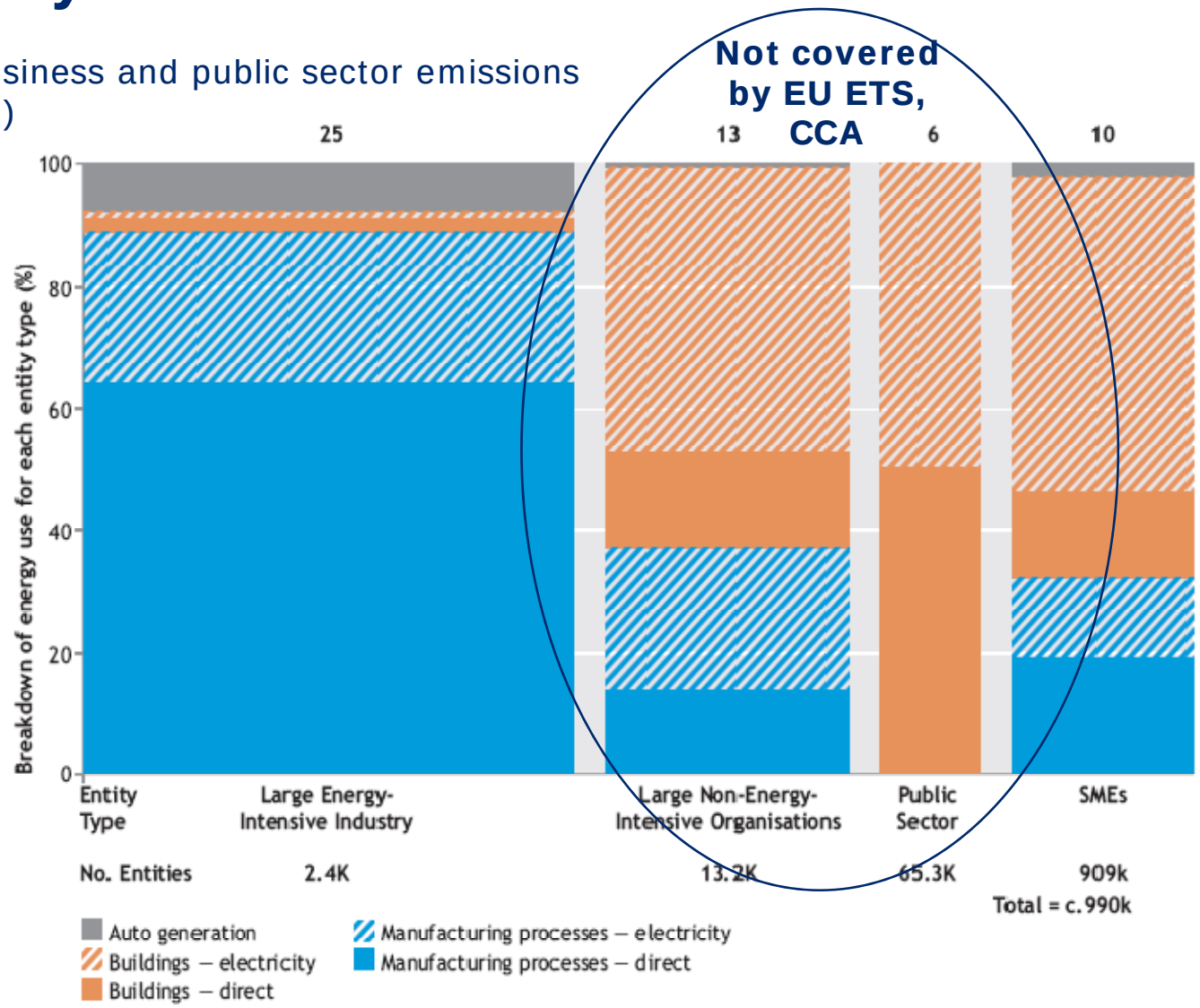
- ***Organisation***-based scheme, including direct and indirect emissions (electricity consumption)

- ***Simple*** and ***revenue neutral*** design
  - Light touch admin
  - Auction, with proceeds recycled to participants

Why do we need the CRC?

UK business and public sector emissions (2002)

Total 54 MtC



Note: For definition of entity type see text. Direct emissions are CO_2 emissions from gas, oil and coal consumption including those used for direct process conversion (e.g. in cement and steel). Building emissions include appliances, computers etc.
Source: The Carbon Trust and Ecofys.

CRC brings opportunities to public sector organisations

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The impacts

- Organisations must buy carbon allowances
- Revenue recycled through the scheme based on carbon performance
  - Early Action metrics (years 1-3): Automatic meter reading (AMR) and the Carbon Trust Standard
  - Absolute carbon reduction in-year
  - Growth metric based on revenue expenditure
- League table will make emissions – and reduction efforts – public

The opportunities

- Creates a 'carbon currency' – certainty to invest in carbon reduction
- Public recognition for carbon reduction
- Builds the internal case for good carbon management
  - Cost savings from energy efficiency greater than cost of permits
  - Reputational benefits/risks help push carbon up the agenda

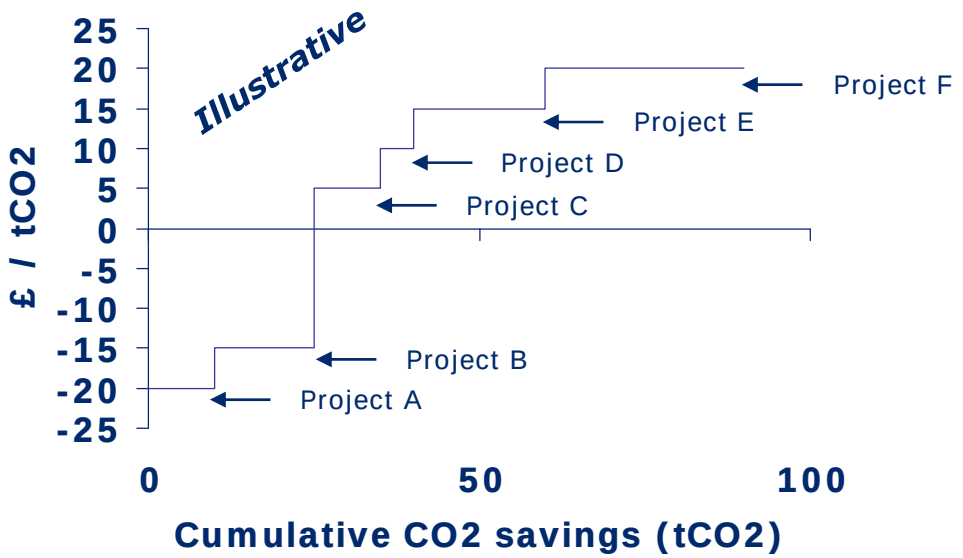
Good carbon management is key to seizing the CRC opportunity

Focus of CRC

1. Reduce direct emissions
2. Work with the supply chain to reduce theirs
3. Consider offsetting

Consistent, accurate measurement (carbon footprinting)

Key component: Construction of abatement cost curve



Carbon Trust has helped hundreds of public sector organisations

Local Authority

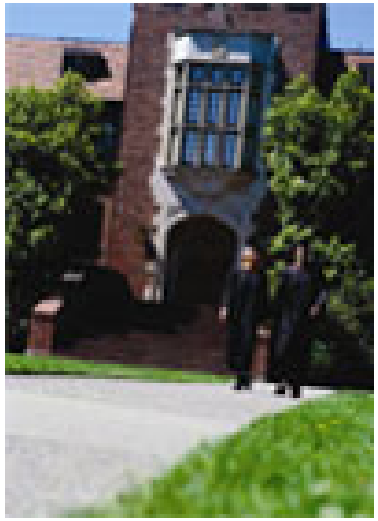
Carbon Management

2003

214 Councils

865,000 tCO2 per year

£70M per year



NHS

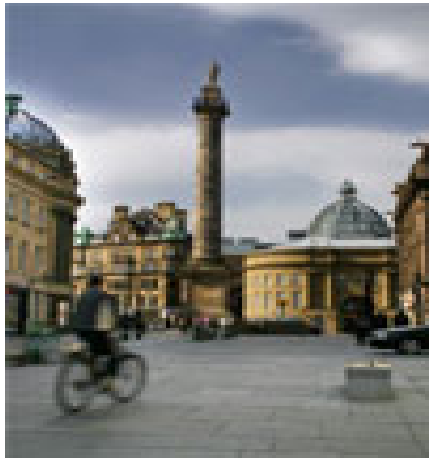
Carbon Management

2006

49 NHS organisations

125,000 tCO2

£14M per year



Higher Education

Carbon Management

2005

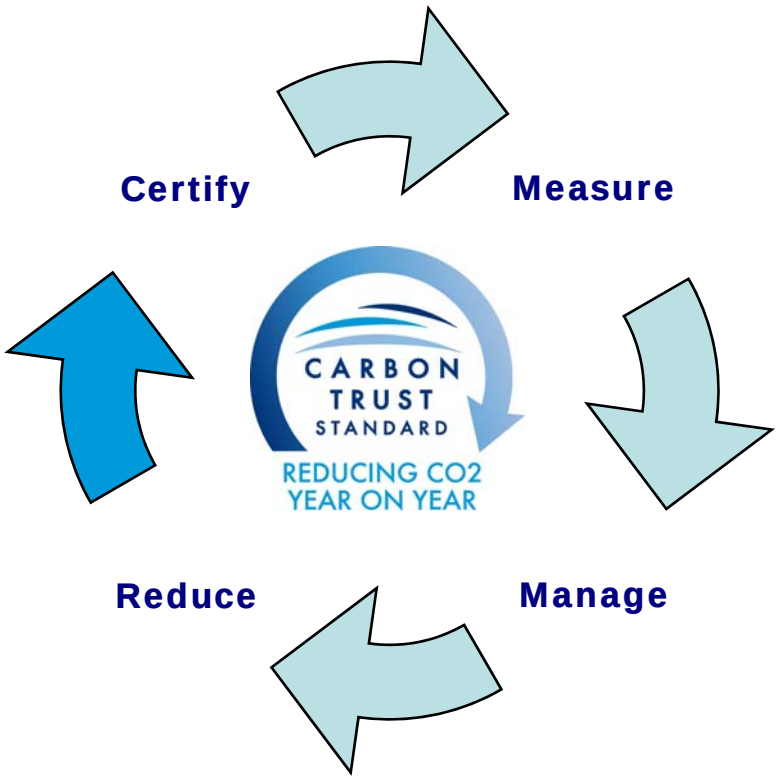
68 Universities

185,000 tCO2 per year

£22M per year

The Carbon Trust Standard provides recognition for real carbon reduction

- **Why**
  - Stakeholder communication
    - Employees, Customers, Government
  - Motivation for future action
  - CRC “Early Action Metric” Benefit
- **Methodology**
  - Independent, Transparent, Robust
- **Criteria**
  - Actual footprint reduction over 3 years (Absolute or relative)
  - Management infrastructure to enable continued reductions



www.carbontruststandard.com

What should public sector organisations be doing right now?

- Check if you are included and analyse impact on cashflows
- Establish robust carbon management practices
  - Measure, manage, reduce and certify
- Understand and implement cost-effective carbon emissions reduction opportunities
  - The Carbon Trust can help: www.carbontrust.co.uk
- Invest in Early Action
  - Consider obtaining the Carbon Trust Standard
    - For details see: www.carbontruststandard.com
  - Install automatic meter reading (AMR)