DEPARTMENT OF ENERGY & CLIMATE CHANGE

The Carbon Reduction Commitment (CRC)

Green Hospitals Conference 2009

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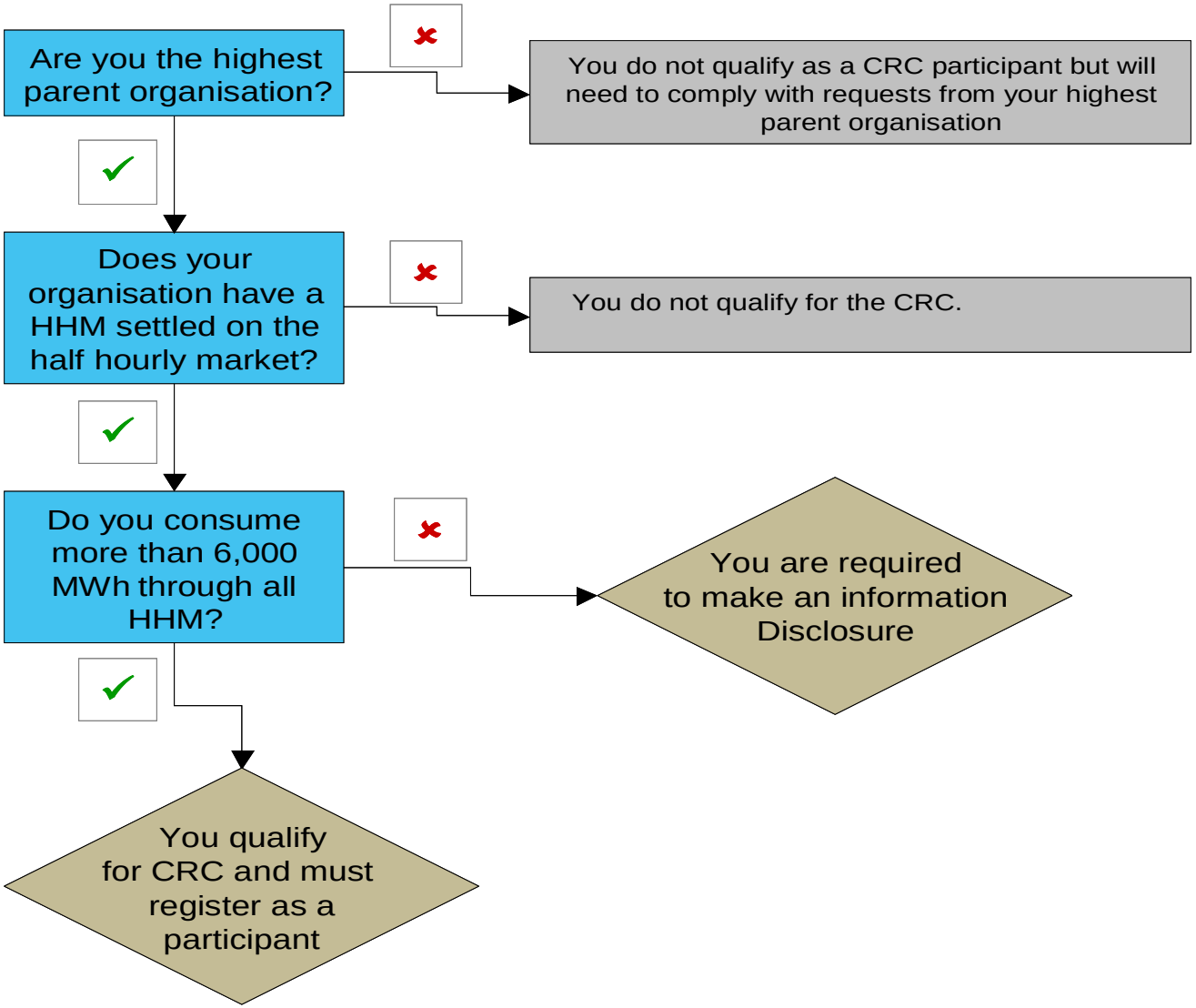
CRC Summary

- Generate behaviour and infrastructure change to improve energy efficiency
- Mandatory auction based emissions trading scheme
  - Targeting UK energy use emissions from business + public sector organisations
  - Large organisations: HHM electricity > 6,000 MWh in 2008
- Revenue neutral to the Exchequer
  - Auction revenue recycled to participants

CRC Summary

- Certainty of environmental outcome
  - Government sets the cap
  - Participants decide where reductions take place
- Avoiding policy overlap
  - Target energy use emissions outside EU ETS and CCAs
  - Organisations with >25% of emissions in CCAs exempt
- Senior management awareness

Qualification



NHS Participation

- NHS organisations to participate in their own right where they meet the qualification criteria
  - England - i) Strategic Health Authorities ii) Primary Care Trusts iii) NHS Trusts iv) NHS Foundation Trusts & v) Special Health Authorities
  - Scotland – i) NHS Boards & ii) Special Boards
  - Wales – i) DHSS Regional Offices ii) Local Health Boards & iii) NHS Trusts
  - Northern Ireland – i) Regional Health Boards ii) NHS Health & Social Care Trusts & iii) Health Agencies.

What emissions does CRC cover?

- All Energy-Use emissions - not just half-hourly electricity
  - Indirect - Electricity
  - Direct – Gas, Oil, Coal etc
- Energy use assigned to the Counterparty to the energy supply contract
- Not Covered
  - EU ETS emissions
  - CCA emissions
  - Transport, Households
  - De-minimis

Emission Coverage – Core Sources

- All half hourly meters
- Meters profile classes 5 – 8
- Daily-read gas meters
- Non-daily metered gas > 73,200 kWh/annum

Emission Coverage – CRC Emissions & 90% rule

- **90% of Footprint regulated** by either EU ETS, CCA or CRC (the 'Applicable Percentage')
- **Core Sources included on mandatory basis**
- Must include non-core sources to reach 90%
- Can include non-core sources voluntarily if above 90%
  - Recorded on the Residual Source List

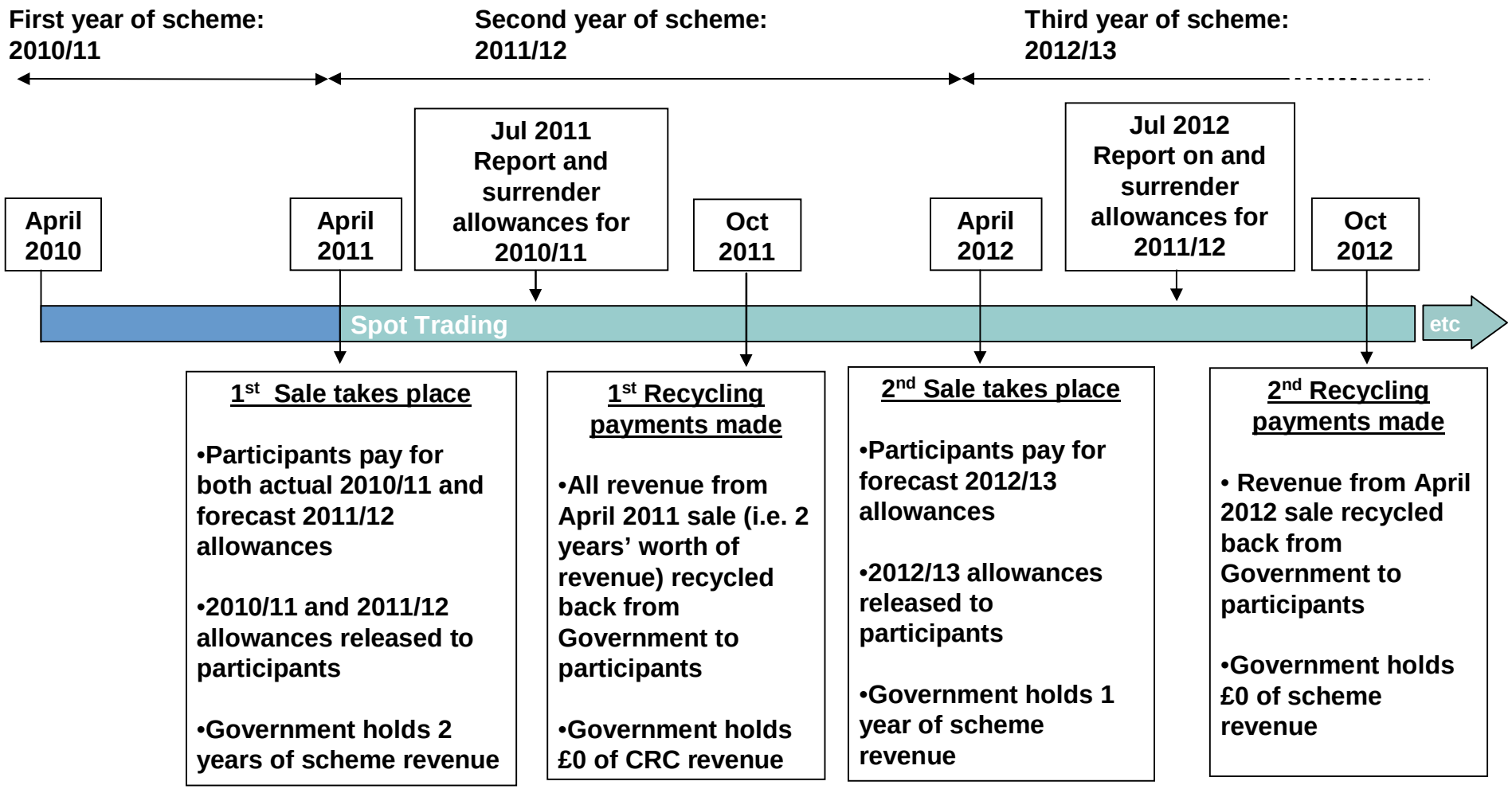
Allowance Sale

- 3 year fixed price introductory phase
  - 1st sale in **April 2011** to cover **2010 and 2011** emissions
  - Allowance price = £12/tCO_2
- Capped phases from Apr 2013 full auctioning
  - Sealed bid uniform price
- Where to buy allowances?
  - Secondary market
  - Safety Valve
- Unlimited banking for future years

Revenue Recycling

- Cash flow impact reduced to 6 months (2011 - “Double Recycling”)
- Payment proportional to 2010/2011 emissions
- Bonus/penalty depending on position in a “league table”
  - Year 1 maximum bonus or penalty of +/-10%
  - Year 2 maximum bonus or penalty of +/-20%
  - Year 5 maximum bonus or penalty of +/-50%

Sales/Revenue Recycling Timing



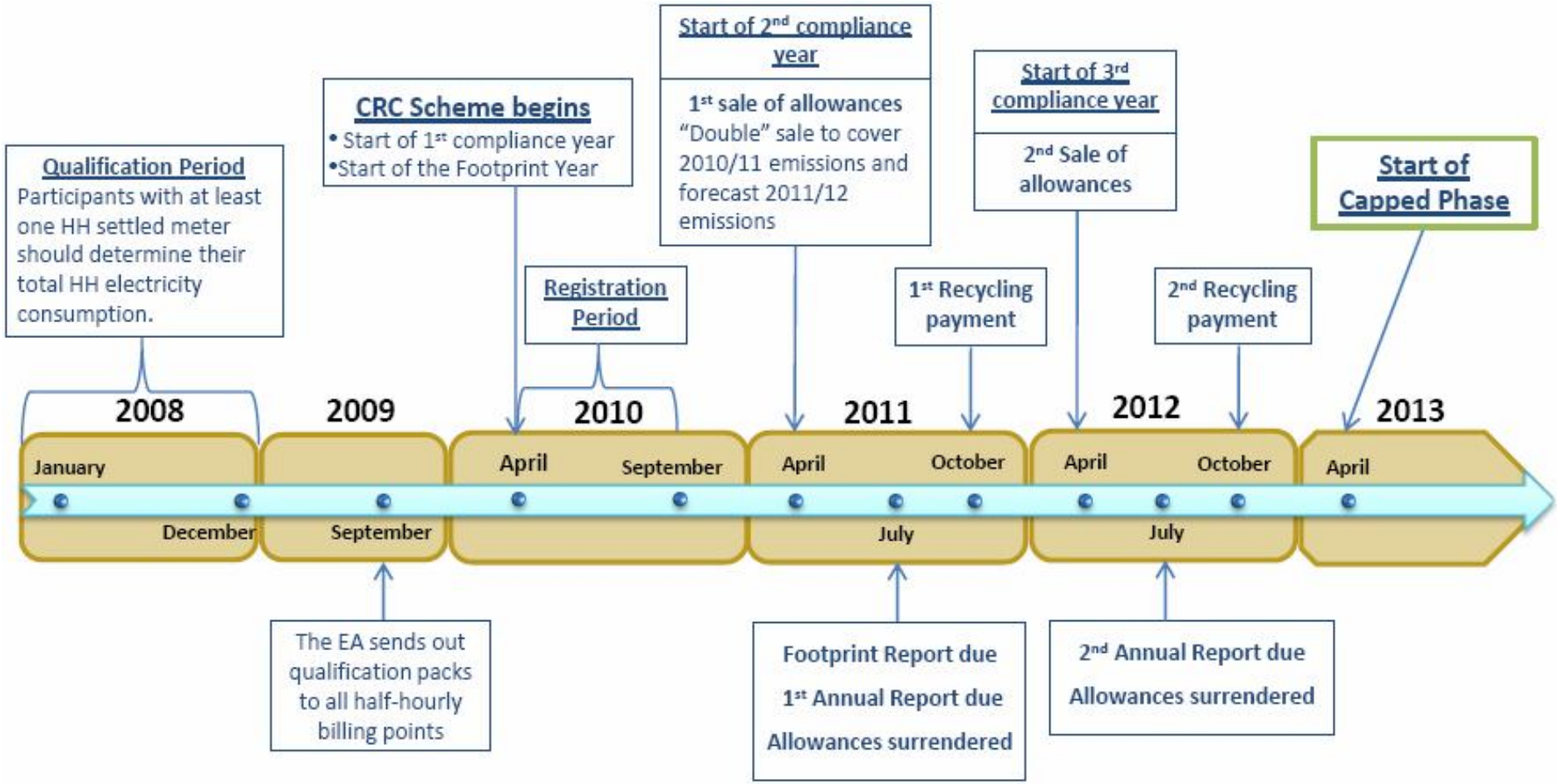
Performance League Table

- Government proposes 3 metrics:
  1. **Compulsory absolute metric (60%)**
     - Change in annual emissions relative to preceding 5 year average
  2. **Voluntary early action metric (20%)**
     - Extent of voluntary AMR at end of first year
     - Extent of Energy Efficiency Accreditation Scheme or Carbon Trust Standard
     - To end after intro phase
  3. **Voluntary growth metric (20%)**
     - Change in emissions per unit turnover or revenue expenditure
     - First league table based 100% on EA metric

Reporting

- **Self Certification** – no 3rd party verification
- **Evidence Pack** – record energy use and provide audit trail
- Emissions Reporting via an online **Registry**
- Two types of report:
  - Once per phase – **Footprint Report**
  - Annually – **Annual Report**

CRC timeline



CRC Summary

- Four key actions during the scheme year
  1. Purchase allowances at auction, taking account of energy efficiency effort
  2. Monitor emissions and complete annual report
  3. Surrender allowances equal to total emissions, buying / selling allowances as appropriate
  4. Receive a recycling payment

What should I do now?

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Qualification

- Establish organisational structure
- Determine half-hourly electricity use for 2008
- Sign up to the CRC mailing list

Carbon Monitoring

- Need to establish accurate systems to measure kWh and hence carbon
- Maintain source list inventory

Early Action Metrics

- AMR programme for Non-half-hourly metered electricity & gas
- Carbon Trust Standard - if 2 years reduction history

Forecasting

- Emissions trajectory
- Savings from planned projects

Further information

Further information

www.environment-agency.gov.uk/crc

Questions

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