

CRC Energy Efficiency Scheme:

An overview of the CRC in the wake of the government response

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Outline



- 1. Key points**
- 2. Qualification and registration**
- 3. Supplies and Emissions covered**
- 4. Reports**
- 5. Performance League Table and Revenue Recycling**
- 6. Timeline**

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1. Key Points

- **CRC mandatory energy efficiency scheme which will :**
 - Incentivise energy efficiency and reduce energy use
 - Foster behaviour and infrastructure change
 - Deliver carbon emissions reductions
- **Makes use of a cap and trade mechanism**
 - CO₂ emissions reduction ensured by cap
 - method of reductions determined by participants
- **Revenue neutral to the Exchequer**
- **Designed to avoid overlap with EU ETS and CCA's**

Delivery goals

- **Financial benefits:**

- Save participants around £1 billion per year by 2020
- Delivered through cost effective energy efficiency measures that are not yet being taken up

- **Emissions savings:**

- By 2020 the scheme will deliver emissions reductions of at least 4 Mt CO₂ per year.

Main changes as of Oct 2009



- 1. Single sale of allowances in April 2011**
- 2. Greater flexibility in how organisations participate**
- 3. Increased credit given for early action in second and third years**
- 4. Equivalents of Carbon Trust Standard now recognised under early action metric**
- 5. Technical changes to make scheme more effective and easier to implement**

2. Qualification & Registration

Qualification

1. Organisation has at least one Half-Hourly (HH) Meter settled on the HH Market

2. Organisation HH electricity consumption exceeded 6,000 MWh over the course of 2008
 - HH electricity use must include
 - Mandatory HH meters
 - Voluntary HH meters
 - Remotely read AMR
 - Pseudo HH metering readings

The total can now be estimated

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3. Emission Coverage & Footprint Report

Emission Coverage

- What is not covered

- Excluded from CRC
 - Transport energy use
 - Domestic energy use
 - Energy not for own consumption (except Landlord/tenant)
 - Energy not for consumption in UK
- Included in Footprint report, but not CRC
 - EU ETS
 - CCA

Emissions are not included in CRC, but will be considered for the purpose of identifying the 'Residual Percentage' – 'the 90% rule'

Definition of Supply - 1



- Direct Supply
 - Agreement between A and B
 - A receives the supply (measured by a fiscal meter if gas/electricity)
 - A pays for the supply
- Indirect Supply
 - A buys gas or fuel from B (in principle - direct supply)
 - A uses the fuel to power a plant and produce heat/electricity
 - A provides electricity exclusively to one customer
 - A is responsible for indirect supply
- Self-supply
 - License holder or license exempt org supplies electricity to itself
 - It is not deemed to be supply when electricity used to carry out licensed activities

Definition of Supply – 2



1. Consumption not for own use
 - A does not consume any of the supply
 - Except landlord/tenant situations
2. Consumption outside the UK
3. Supply consumed for domestic purposes
4. Supply used for transport
 - Energy used by a road going vehicle, shipping vessel, aircraft, train
5. Northern Ireland street lighting (Phase I only)

Can opt in:

1. Unmetered transport
2. Common areas of mixed-used domestic accommodation

Emission Coverage

– Footprint

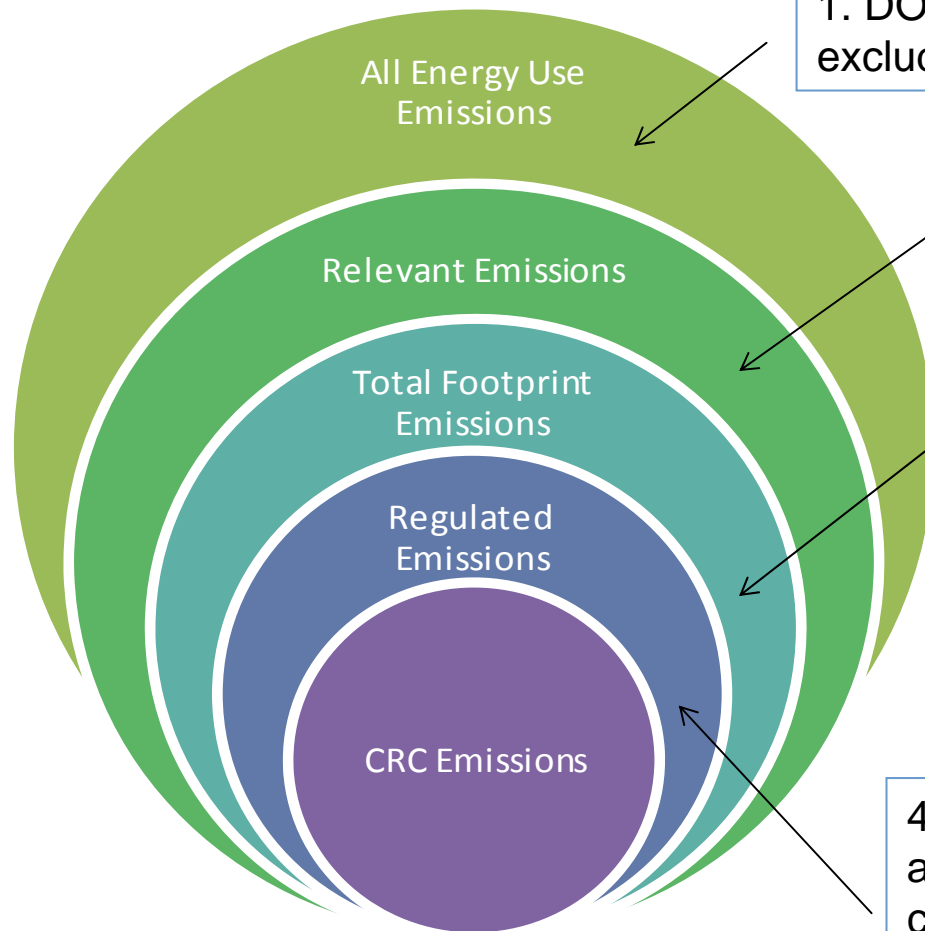
- Identify their total energy use across the entire organisation
- Including consumption covered by EU ETS and/or CCA
- Subtract energy use from other excluded activities
- Excluding energy use of emissions from subsidiaries exempt on CCA grounds

Footprint = Supplies – Subtractions – CCA Member

Exempt

- **90% of Footprint regulated**
- **Core Sources included on mandatory basis**

Emission Coverage



1. DO NOT include energy use from excluded sources

2. DO NOT include 100% of emissions from CCA exempt subsidiaries

3. CAN remove up to 10% of footprint emissions but not Core Sources, or covered by EU ETS or CCAs. Regulated Emissions must be at least 90% of relevant emissions

4. DO NOT include all emissions covered by CCAs and EU ETS.

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4. Reports

Footprint Report

- Sets emission coverage for the phase
- Demonstrates compliance with '90% rule'
- Identifies CRC Emissions
- Once per phase (31 July 2011)

Annual Report

- Report on actual CRC Emissions
- Provide information for the Performance League Table
- Link to Performance Commitment – surrendering emissions
- Every year (31 July 2011)

Data on Consumption:

- **by source**
- **split in estimated and actual**
- Total core consumption of electricity
- Total core gas consumption
- Total non-core consumption per source
- Use of any other fuel not included in fuel table
- **Additions to supplies**

- **Total emissions of any Significant Group Undertaking that has not been disaggregated**

- **Data on Turnover/Revenue Expenditure**

- **Data on AMR and CTS coverage**

Additions to supplies



- Estimation adjustment – 10% uplift
 - Electricity/gas: supplier has estimated the bill for at least 6 months and participant cannot provide evidence of the reading meters
 - Fuels: participant has estimated consumption for at least 6 months and cannot provide evidence of the amount of that estimated supply
- Renewable adjustment
 - Generation from renewable sources occurs at participant premises
 - Participant uses all the electricity at same site
 - Participant is issued with a ROC or receives FIT

5. Revenue recycling and the Performance league table

Revenue Recycling - 1



- **Baseline component**
 - Payment proportional to **2010 CRC emissions**
 - **NOT** to what is paid at the auction/sale

For example:

Total CRC emissions in 2010: 100 tCO₂

Organisation X emissions in 2010: 1 tCO₂

= Organisation X receives **1%** of revenue raised in sales or auctions

- **This is then adjusted by the bonus or penalty**

Revenue Recycling - 2



- Performance League Table component
 - Adds financial and reputational incentives
- Bonus or penalty payment based on position in 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%

Performance League Table

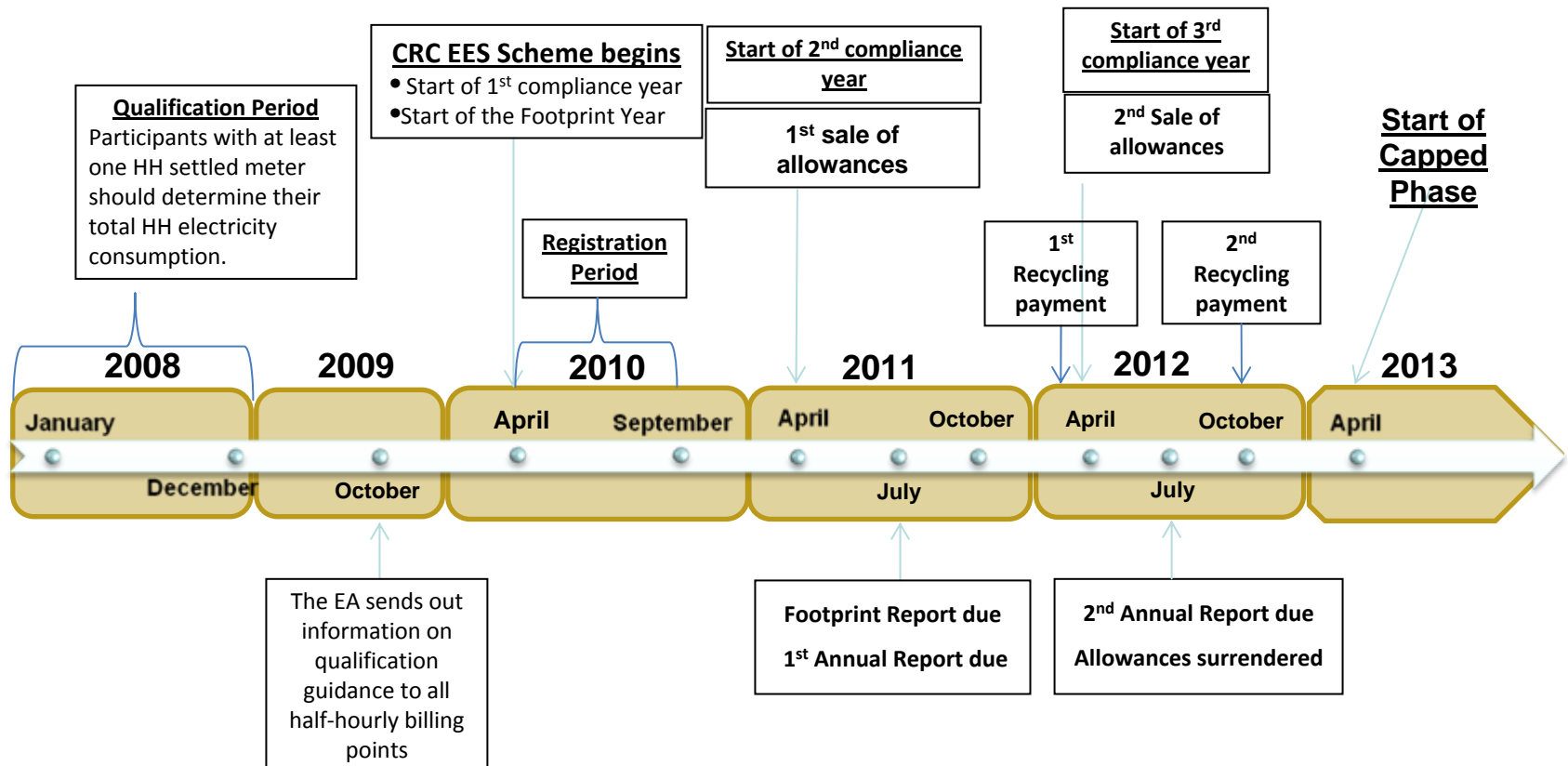


- Participants awarded points score for each metric
- Weighted combined score determines position in Performance League Table
- Weighting of metrics:

	Year 1	Year 2	Year 3	Year 4-8
Early Action Metric	100%	40%	20%	0%
Absolute Metric	0%	45%	60%	75%
Growth Metric	0%	15%	20%	25%

6. Timeline

Timeline



Any queries

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