



**: Light at the end of the Tunnel**

# The Carbon Reduction Commitment

**Dave Lewis**

**Head of Business Energy Services, npower**



# Carbon reduction commitment

## What it is

- A new trading scheme to come into effect in 2010
- Until 2012 participants may buy unlimited allowances for £12 per tonne.
- From phase two (2013-2020) a fixed amount of allowances will be traded as in the EU ETS
- Firms must redeem emission allowances in proportion to their annual emissions

## What it covers

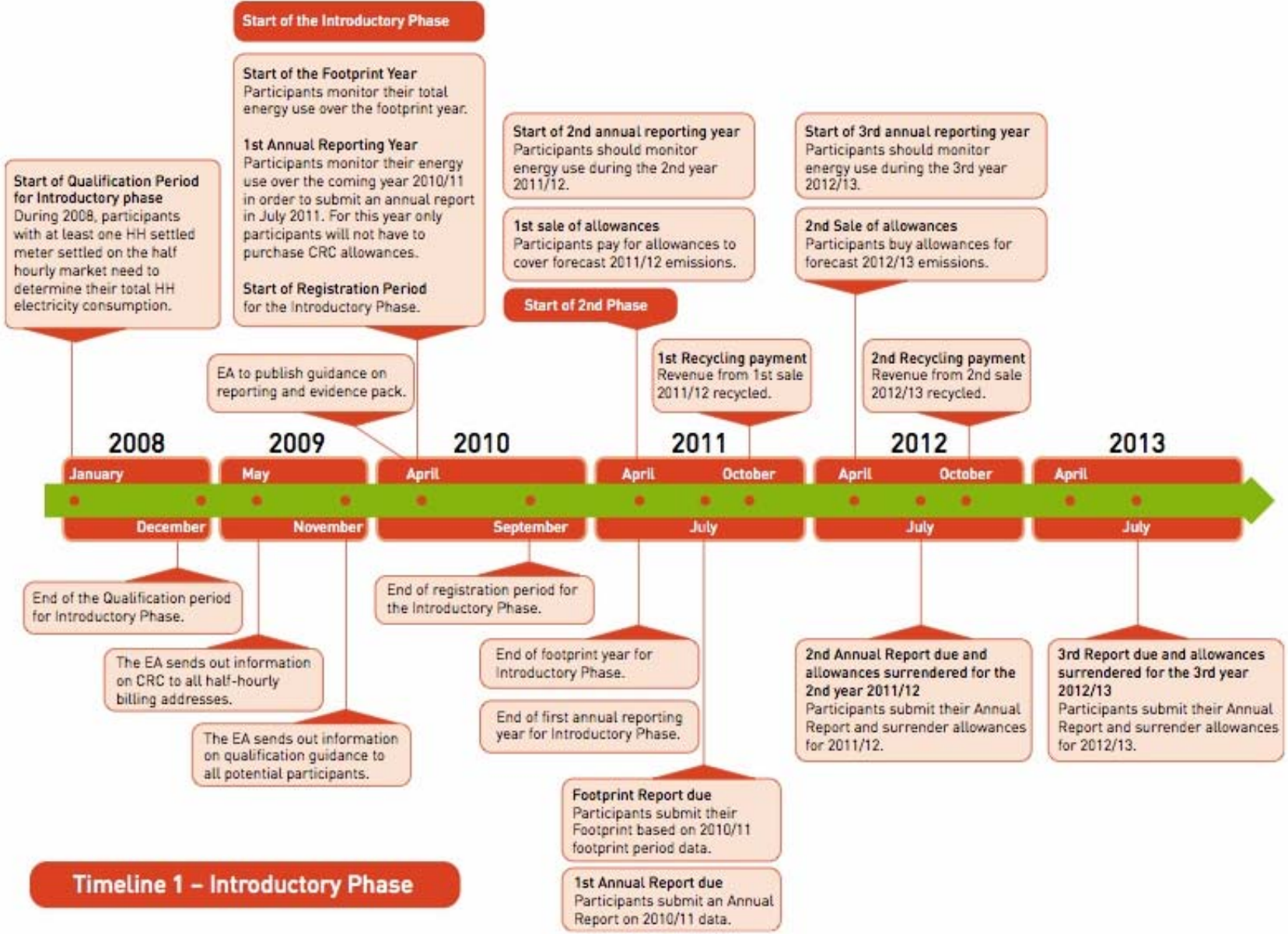
- Large firms in the service sector: supermarkets, retailers, banks, hotels, local authorities
- Firms consuming more than 6,000 MWh of electricity a year through HH settled meters

## What it means

- The CRC is revenue neutral: proceeds will be redistributed according to performance
- Performance “league tables” will be published, ie there are reputation risks
- In the pilot phase the extra cost for electricity is £6 per MWh (fixed carbon price of £12 times an emission factor)

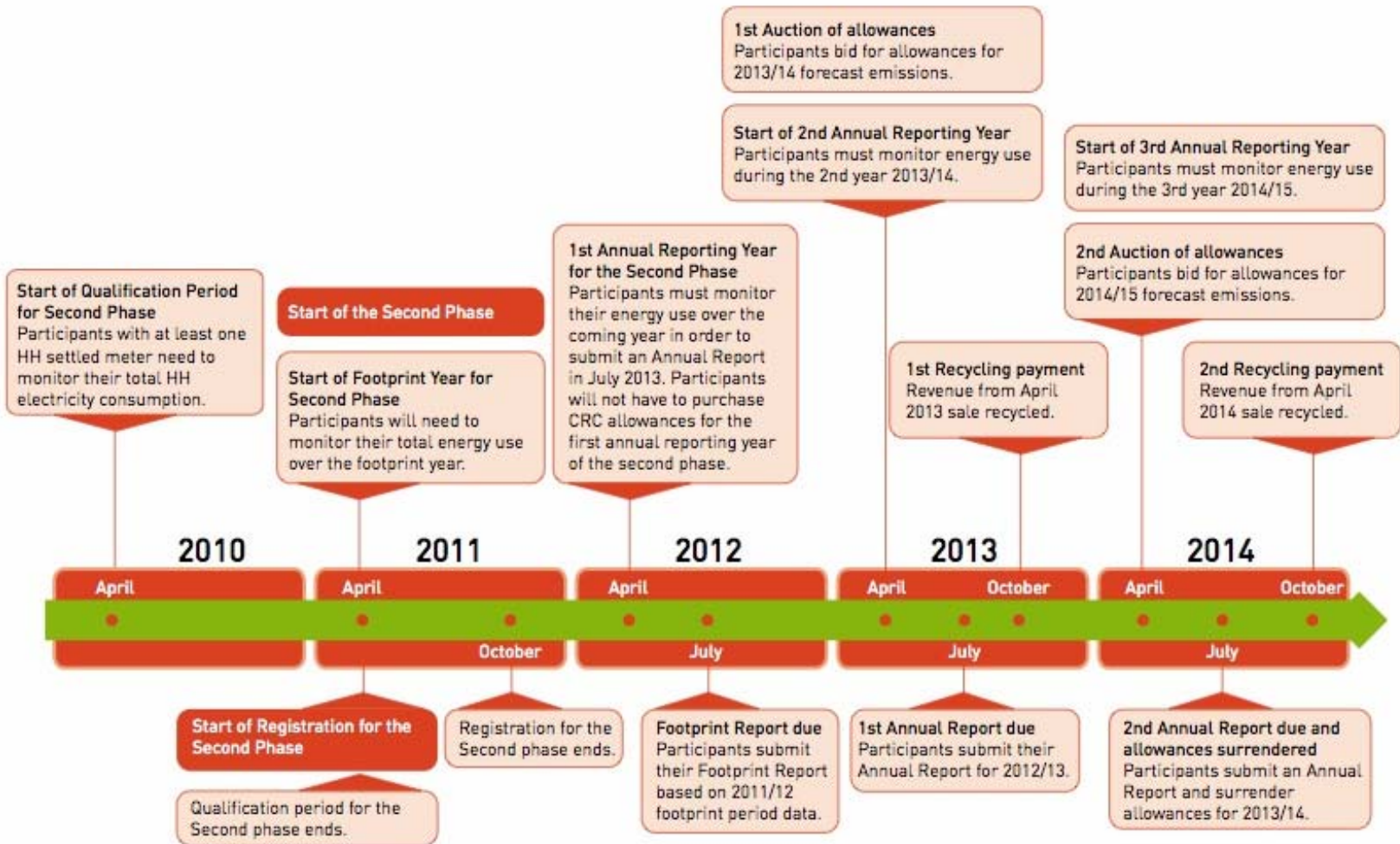
# Carbon reduction commitment





**Timeline 1 - Introductory Phase**

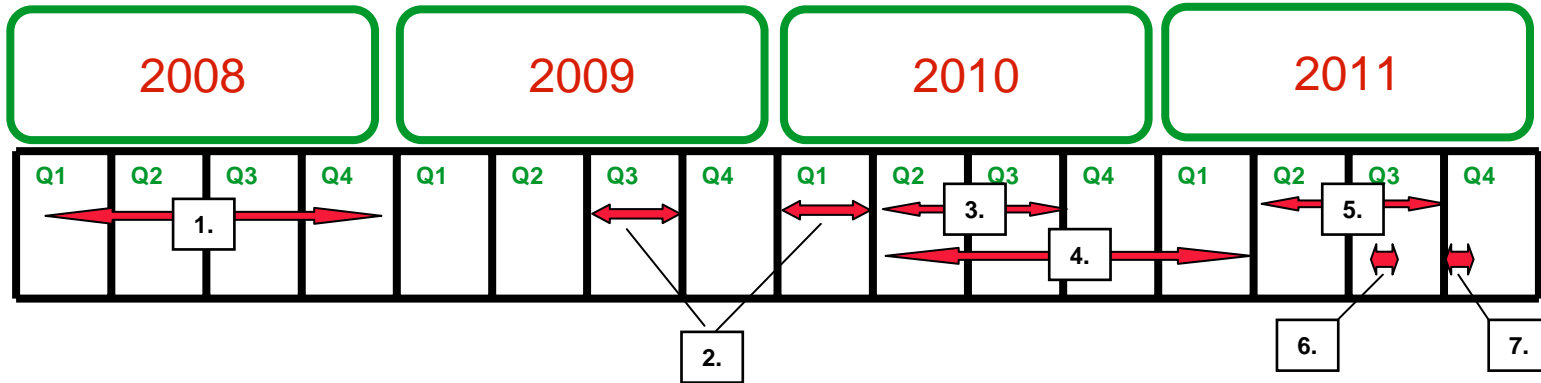




**Timeline 2 – Second Phase**



# Simplified Phase 1 - CRC Timeline



## 1. Jan to Dec 2008

### Qualification Period

Determine electricity consumption from all HHM settled on HH market

## 2. November 2009

Written notifications to be issued this month

Initial Registration Guidance provided yesterday

Further guidance "early" 2010

## 3. 1st April to 30th Sept 2010

Registration Period

## 4. Footprint Year = Financial Year

Produce a comprehensive report of emissions

## 5. April 2011

First Allowance Sale

## 6. 29th July 2011

Footprint Report Deadline

## 7. Oct 2011

1<sup>st</sup> League Table published

**RECYCLING PAYMENTS**

# Allowances – Phase 1

■ One allowance =  = £12

- Buy enough allowances to cover predicted needs
- Energy efficiency measures mean less allowances need to be bought and surrendered
- Additional allowances can be bought on the secondary market or via the “safety valve”.
- Remember there will be an Admin Fee
- AND Allowances are purchased up front (although not now retrospectively for year 1.....)



# Fees and fines

- one-off registration charge of £950

Failure to Register for Information  
Fixed Fee

- **Publication of non-compliance**
- Each request to purchase Sa allowances will incur a charge

**Failure to comply with performance commitment**  
Fine of £40/tCO<sub>2</sub> in respect of each allowance that should have been obtained and cancelled

Penalties for  
Failure to register

**Publication of non-compliance**

**Adequate Records**

**Fine of £5 per tCO<sub>2</sub> of total emissions reported in the most recent annual report**

Fine of £40 for each tCO<sub>2</sub> of emissions incorrectly reported – to be applied wherever there is a margin of error greater than 5%

**Publication of non-compliance**



# Recycling Payments

The recycling payments are made up of these sections:

1. A set payment based on your organisations proportion of the total CRC emissions.
2. A Bonus or Penalty portion based on your position in the league table.

The bonus or penalty rate is then set against the figure from section 1.



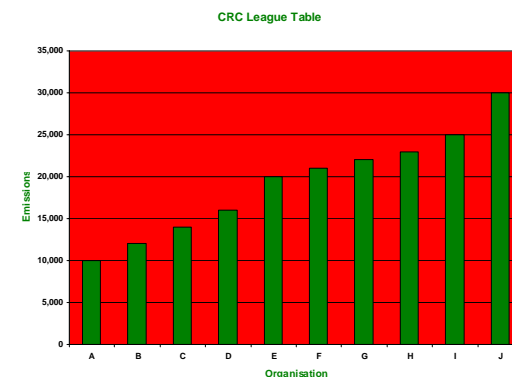
**Remember** when an organisation improves more than average that it will need to buy less allowances. It will also receive a higher proportion of the recycling pot. So good performance is being rewarded.



# The League

In future years the league table will be based on 3 metrics:

- The Absolute – reflects the relative change in Participants CRC emissions
- The Growth – to take in to account organisations with an expected increase in Absolute emissions due to growth. However, credit will be given to energy efficiency measures taken.
- The Early Action – These will only apply in the introductory period e.g. Voluntarily installing AMR or obtaining the Carbon Trust Standard



But initially only on Early Action metric, hence:

Where do you want or hope to be?

# Early Action

- Two equally weighted measures that influence Phase 1 League Table position:
  1. Voluntarily installed automatic meter reading (%age of the total)
  2. Carbon Trust Standard or equivalent (%age of the total emissions included within the scheme)
- These have a reducing impact over Phase 1:

	Year 1	Year 2	Year 3
Early Action Metric	100%	40%	20%
Absolute Metric	0%	45%	60%
Growth Metric	0%	15%	20%



# Summary Changes

- Cash flow – no need to purchase ‘double’ allowances in first sale
- Principal subsidiaries now have option about how to participate in the scheme (Significant Group Undertakings)
- Early Action Metrics – changes to the allocation of benefits in Phase 1 (as shown above)
- Renewables – no change to financial incentive schemes, but on-site generation recognised in League Tables
- Public Sector Organisations – definitions simplified (‘public authority’ from Freedom of Information Act 2000 or Freedom of Information Act (Scotland) 2002)

# What should you do?

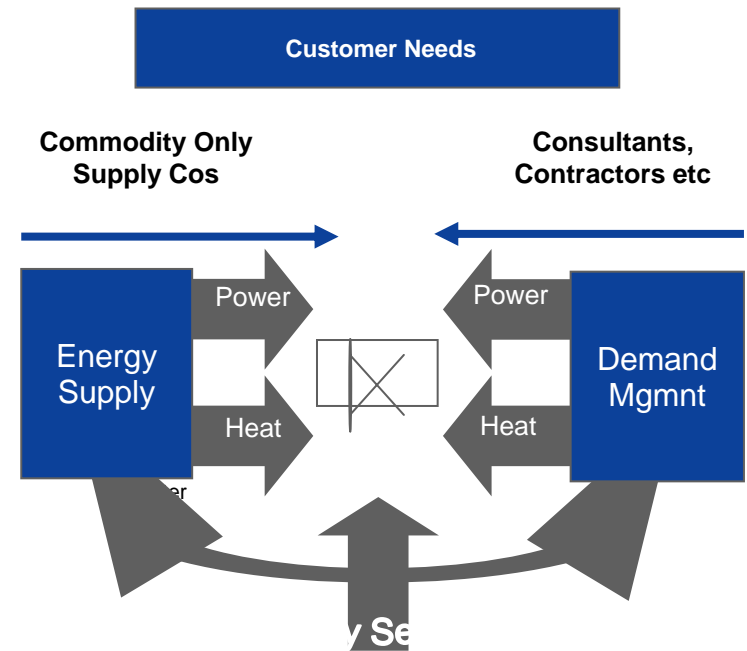
1. Get the visible buy in of CEO / Board / Directors
2. Set easily measurable targets that form part of your corporate performance
3. Expect and be prepared to make some investments in technology
4. Have good data quality for all your utilities and travel
5. Dedicate some people resource to delivering your outcomes
6. Do the simple things on energy
7. Do the simple things on waste and water
8. Don't offset!
9. Think about your procurement
10. Engage your staff and help them help you

**Sound advice, courtesy of the Environment Agency...**



# npower's role in emission reduction

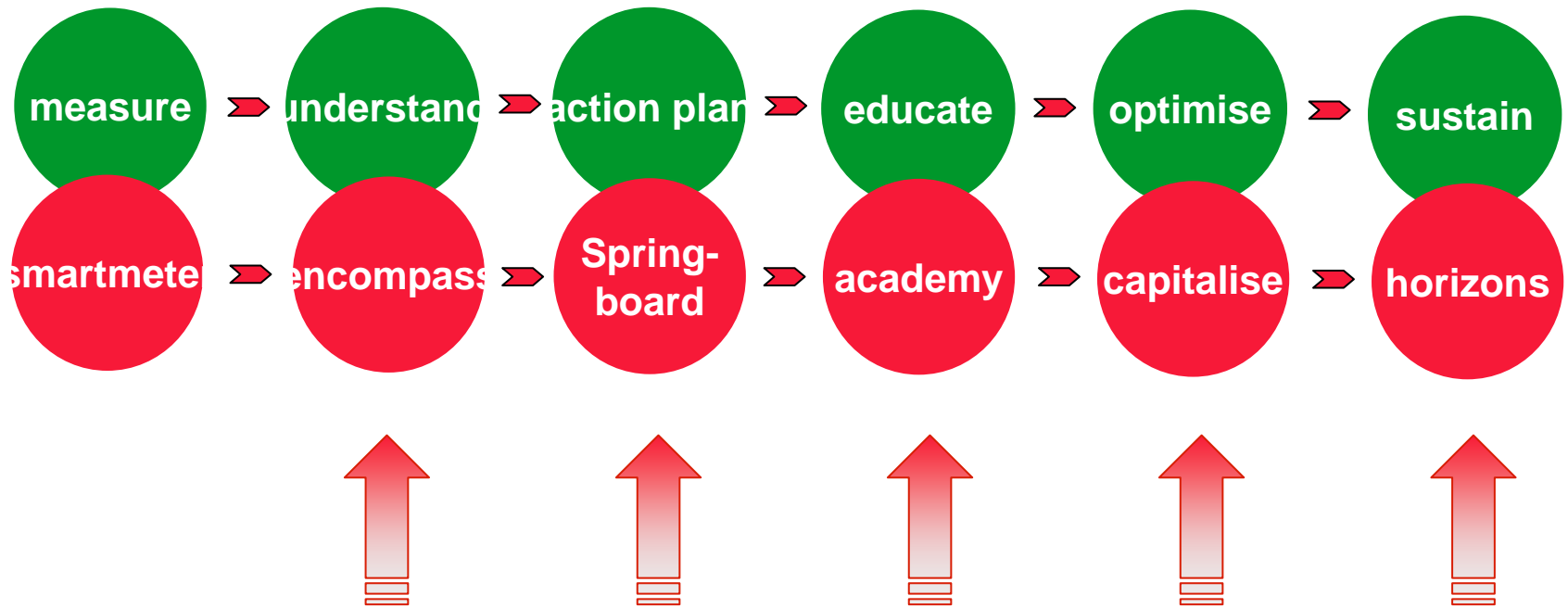
- Managing the supply/demand balance to deliver carbon reduction
- Working with businesses to manage energy procurement and consumption – e3, m3, r3
- Market leaders in monitoring and metering technologies
- Committed to understanding business needs - nBEI



# The energy management journey



# the energy management journey

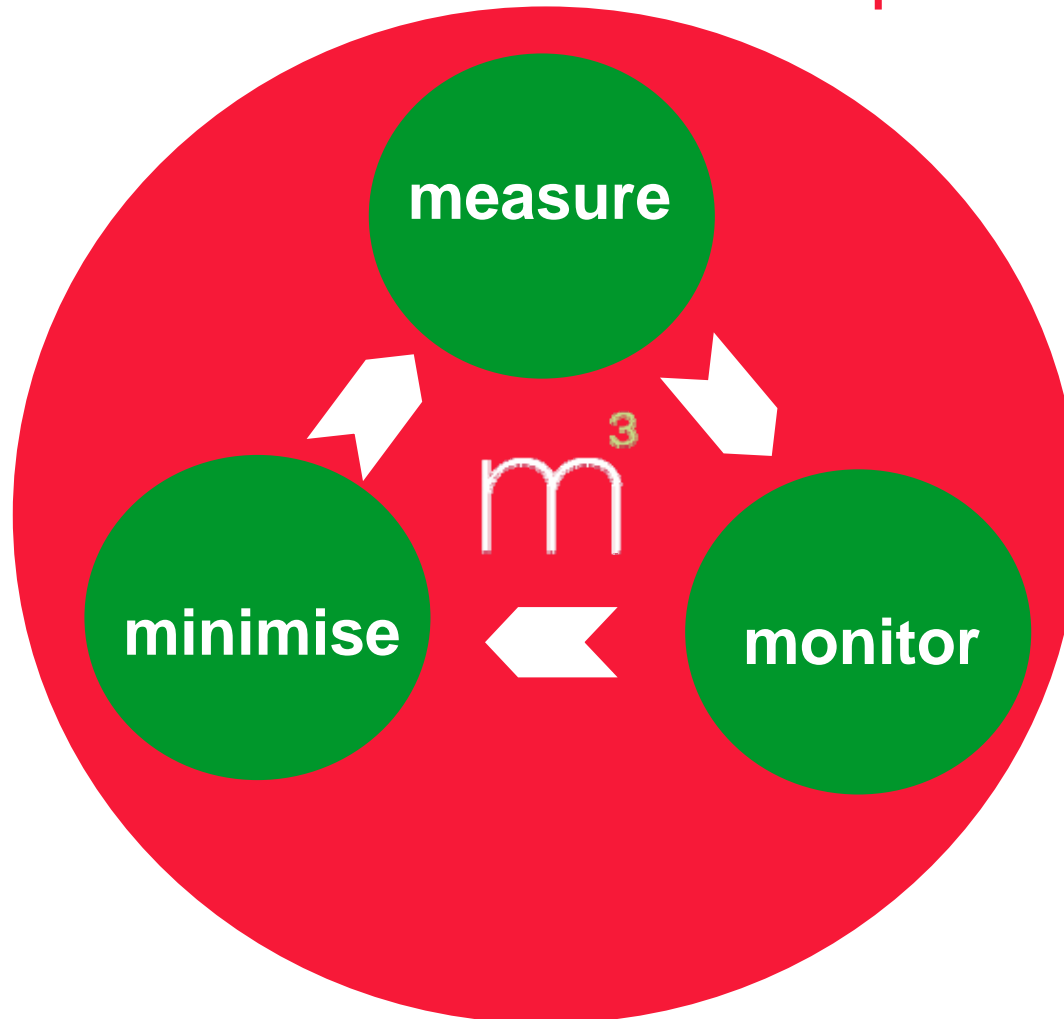


journey, which can be joined at  
any step of the way



# m<sup>3</sup> – measure · monitor · minimise

A cycle of continuous  
improvement



# “smartmeter”

**“if you cannot measure it  
you cannot improve” – Lord Kelvin**

- provides HH interval data for your non-HH sites
- accurate readings every half hour
- accurate bills – no more estimated reads
- view your data online via encompass
- access to structured energy procurement



For Half Hourly customers,  
npower also offer our accredited  
half hourly data collection and  
meter operator services

**npower**

# “encompass”

## encompass analyst

*encompass analyst gives you the core energy information you need to analyse your consumption and create multi-site reports. It will enable you to identify energy waste and could help reduce energy consumption, costs and carbon emissions.*

## encompass manager

*encompass manager provides you with a vital overview of your portfolio, through detailed reporting from multi-utility meters and secondary meters. You can set targets specific to your business as well as monitor performance and set system alarms.*

## encompass professional

*encompass professional puts complete multi-utility functionality at your fingertips, actually interpreting data with intuitive statistical analysis and accurate forecasting. You can also run tailored programmes that pinpoint where economies can be made for tangible reductions.*

## encompass projects

*This tool can work with all levels of encompass – allowing you to detail investment in energy efficiency initiatives. What’s more you can track savings to report on and analyse their impact.*

helping you to **analyse** and **understand** your energy consumption



# “academy” - (education & awareness)

**equipping you and  
your staff to cut consumption**

## **objective**

to provide you and your employees with **information and guidance** to improve your own energy management

## **benefits:**

- **stay informed about the latest thinking around energy management**
- **staff trained to recognise energy usage and take actions to reduce consumption**
- **create opportunities for regular promotion of new initiatives and ideas**
- **understand energy legislation for your business and how you manage it**

# Energy Awareness - Management

## Senior Management Seminar

- Why are staff important and how can you involve them

## Staff Communications Plan

- Communication is key. Help setting up a an energy communications strategy

## Staff Training Plan

- Support to develop a training plan based on your organisation's needs

## Policy Implementation Training

- we will help you to both develop this policy, and to deliver it to your staff

## Setting up Energy Champions

- Helping find Energy Champion coordinators and supporting the coordinator to develop other members staff

## Induction Presentation

- Following discussions with you, we will produce a presentation which can then be delivered to all staff during their induction process.

We will prepare CRC submissions and assist companies to gain Carbon Trust Standard (or equivalent)



# By proactively managing emission reduction

- Carbon emissions will have a direct impact on the bottom line
- Positive brand support is available from success with this agenda
- As such, emission reduction must be viewed as central to business operations
- Successfully managing carbon will be instrumental to long term profitability and business success
- Managing carbon reduction **MUST** be a board level decision



# The path towards low carbon operations

- Making emission reduction a board level decision
- Bringing together carbon management with long term business goals
- understanding the requirements of the schemes (monitoring, reporting and verification) and devising a monitoring/compliance strategy
- Embarking on an 'energy management journey' to achieve sustained emission reduction
- Seek support, advice and partnerships from energy suppliers, Carbon Trust etc
- Not about overnight change, but must start now!





**: Light at the end of the Tunnel**

# The Carbon Reduction Commitment

**Dave Lewis**

**Head of Business Energy Services, npower**

