

# The Carbon Reduction Commitment CRC



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# The Carbon Reduction Commitment

## Information for business customers

The Carbon Reduction Commitment (CRC) is a new emissions trading scheme in which thousands of businesses and public sector bodies will have to participate to some degree. Before it begins in 2010, many will have a significant amount of work to do to ensure they can comply and avoid paying fines. This fact sheet describes elements useful to know now, but remember that the scheme is still in consultation.

## Carbon cutting aims

The CRC is an important part of the Government's efforts to reduce carbon emissions by 80% by 2050. It aims to drive cost effective carbon emissions reductions through greater energy efficiency, rather than renewable energy or offsetting. Reducing how much energy organisations use is what counts here.

The scheme is aimed at 'large non energy intensive organisations': businesses such as supermarkets, retail chains, hotel chains, large offices, small to medium industrial facilities, and almost all public sector organisations. This sector accounts for 14 million tonnes of carbon (MtC, nearly 10% of the UK's total annual carbon emissions. DECC estimates the CRC will save 1.2MtC per year by 2020.

## Who's included?

Any organisation with a half hourly (HH) metered site is affected as they will have to register for the scheme whether they qualify or not. Qualification depends on how much electricity the organisation has used at their sites with half hourly type metering from January to December 2008. The threshold is 6GWh (6,000,000KWh) and the HH sites considered are those which that organisation is counterparty to the electricity supply contract, i.e. financially responsible for the electricity bill.

Those exceeding the threshold have to monitor, report and buy allowances for their CO2 emissions from all fuels used on site each year. Those that don't still have to register for the scheme and show they don't qualify.

## There are a few exemptions

Foreign ownership and divisional reporting structures are an irrelevance. Organisations have to count their electricity usage for relevant sites for all their UK operations. If necessary, they will have to appoint one operation as the UK primary member (parent) with responsibility for the compliance of all UK subsidiaries.

Some exemptions apply to organisations participating in the EU Emissions Trading Scheme (EU

ETS) and/or a Climate Change Agreement (CCA). All direct emissions for sites covered by the EU ETS are fully exempt from the CRC. It's a little more complex for CCAs. If more than 25% of a subsidiary's emissions are covered by a CCA, then allowances will not have to be purchased for the emissions of the entire subsidiary. However the electricity use of the subsidiary in 2008 still counts towards the whole organisation's qualification.

All electricity use through half hourly meters counts. Having renewable energy supplied from the grid gives organisation's no relief from qualification, nor the ability to claim carbon savings once the CRC starts.

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## What energy use is included once it starts

Each year organisations will need to report on and buy allowances for their CO<sub>2</sub> emissions from 'fixed point' energy use, i.e. all energy used on site. This includes electricity, gas, oil, diesel, coal and others, but does not include transport fuels.

The scheme is designed as a cap and trade scheme. This means that those participants who cut their emissions will be able to sell their excess allowances, while those that increase their emissions will need to buy more allowances. Initially there will be no limit on the number of allowances available, but in later phases of the scheme the number of allowances will be capped and will reduce each year.

The scheme officially begins in 2010 with an introductory phase to help participants adjust to the scheme. This phase runs from April 2010 to March 2013. At least two capped phases are planned: from 2013 to 2017 and from 2018 to 2022.

## Costs and rebates for participants

In the introductory phase allowances will be priced at £12/tCO<sub>2</sub>. In later phases allowances will be sold by auction at the market rate. These funds will be recycled to participants depending on their relative performance in reducing their emissions.

Good performers will receive a rebate greater than the cost of their allowances, and vice versa for underperformers.

The performance of participants will be published in a publicly accessible league table. Three metrics will be taken into account:

- 1. Absolute reduction: this carries a 60%** weighting and considers the percentage reduction of the current year versus the previous five years
- 2. Early action: this carries a 20%** weighting and will reward firms that install Smart Metering on their non half hourly metered sites before 2011, and/or qualify for the Carbon Trust Standard
- 3. Growth: this carries a 20%** weighting and will consider emissions per unit turnover.

## 2010 and 2011 are unique

The first two years of the scheme are different. Firstly, participants will buy their allowances for 2010 and 2011 in 2011 which has budgeting implications. Secondly, only the Early Action metric is taken into account for determining league table rankings and recycling payments in 2011. So the amount of smart metering in place and how much of your organisation is accredited by the Carbon Trust Standard by 2011 is very important.

## More help from EDF Energy

Since 2008, over 700 customers have found how to manage their CRC obligations at our Café Energy events. Visit [edfenergy.com/crc](http://edfenergy.com/crc) for upcoming events and more CRC support online.

Customers who qualify for CRC will find our online account management tool, Energy Zone, helpful in gaining an understanding of their half hourly energy use.

Find out more at [edfenergy.com/energyzone](http://edfenergy.com/energyzone).

[edfenergy.com/crc](http://edfenergy.com/crc)



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Our customers appreciate e-factsheets because they offer timely delivery of easy to access information in an ideal format for the modern screen based working environment.

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