



19 July 2010

Hon Gregory Barker MP
Minister of State for Climate Change
Department for Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

Dear Minister,

Following our very useful meeting with you on 8th July we promised to send you thoughts on how the CRC Energy Efficiency Scheme could be simplified. This letter sets out:

- the features of the scheme that the CBI supports,
- difficulties that have arisen through policy development and implementation, and
- our initial thoughts on areas that could be improved.

We will be working closely with our members on this issue and will be in touch with your officials for a more detailed discussion. A separate letter setting out our position on low-carbon vans will follow shortly, as promised.

Positive features of the scheme

The CBI supports the need for a policy that will encourage non energy-intensive organisations to reduce their emissions and make their contribution to meeting the UK's climate change targets. In theory the CRC Energy Efficiency Scheme fulfils this objective. The key principles of the scheme that the CBI supports include:

- targeting significant energy users that are not within the scope of existing climate policies,
- focusing Board-level attention on energy efficiency opportunities, and
- using corporate reputation as a lever for investment.



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Difficulties that have emerged through policy development

The complexity of the scheme that has emerged both in terms of how the policy has been developed and how it is being implemented is at real risk of distracting attention away from many of its positive attributes. For example:

- the CRC does impact on some energy-intensive firms that are covered by existing climate policies (eg the EU Emissions Trading Scheme and Climate Change Agreements), creating significant policy overlap and a disproportionate administrative burden for those participants;
- company Boards are increasingly focused on the difficulties associated with registration and compliance rather than the opportunity to become more energy efficient, other companies are frustrated at the lengthy process involved in proving they are not within the scheme;
- under current policy the league table will not show which businesses are most energy efficient due to the complexity of the metrics and difficulty of recognising both the efforts made by firms before the scheme started and the degree to which firms grow in an energy efficient way.

Priorities for simplification

We would like to help your department make a success of this scheme, and are committed to working with our members over the next few months to establish clear ways in which some of the difficulties outlined can be addressed. We suggest that priority areas for simplification are:

- excluding from the scheme any business that has a CCA or is a participant in the EU ETS,
- ensuring responsibility for compliance rests with the part of the company most able to make changes, not necessarily the highest parent company as currently prescribed,
- aligning reporting requirements across DECC, DEFRA and their agencies,
- removing the need for firms to prove that they are not within the CRC's scope,
- reviewing the environmental benefits of the league table; we believe that Display Energy Certificates for buildings in the commercial sector would be a much more cost-effective reputational driver for energy efficiency.

I hope this letter is helpful in setting out our more detailed concerns and priorities for simplification. We look forward to working with you on this important issue over the next few months.

yours sincerely

