DEPARTMENT OF ENERGY & CLIMATE CHANGE

Consultation event on Simplifying the CRC Energy Efficiency Scheme 23rd May 2012

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Consultation on Simplifying the CRC Energy Efficiency Scheme

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CRC Energy Efficiency Scheme

- **Background**
  - The CRC Energy Efficiency Scheme is a mandatory UK-wide trading scheme
  - Targets emissions from large public and private sector organisations
  - Registration for first phase closed 30 September 2010 - Over 2000 participants.
  - First compliance year April 2010 - March 2011 – reporting only year

The CRC addresses a series of barriers

- **Key elements**
  - Robust reporting regime
  - Allowance purchase and trading
  - Performance League Table

- **Stakeholder criticism**
  - Opposition to ending revenue recycling
  - Too complex, difficult to understand, and costly
  - Overlap with other climate change/energy efficiency policies
  - Does not accommodate natural business structures

Review of the CRC Energy Efficiency Scheme

- **Ministers committed to simplify the scheme**
  - Legislation changed as of 1 April 2011
  - Removal of approx 12,000 ‘information declarers’
  - Delay of start of Phase 2 - first compliance year now 2014/15

- **Evidence-gathering period in 2011**
  - Discussion papers in January
  - Next Steps paper in June
  - First year’s reports in July
  - Administrative burdens survey in September

- **Formal consultation in 2012**
  - 27 March – 18 June
  - www.decc.gov.uk/consultations

- **Legislation by early 2013**

What is simplification all about?

"The objective of CRC simplification is to:

- *Optimise the projected energy and carbon savings delivered by the CRC scheme;*
- *Dramatically reduce the complexity, so the energy efficiency and carbon savings are delivered at the minimum administrative cost."*

This consultation is about knowing whether we will achieve our aim?

A one-stage qualification test

- **Fewer qualification criteria**
  - Qualification based on supplies through settled half hourly meters only from phase 2 onwards.

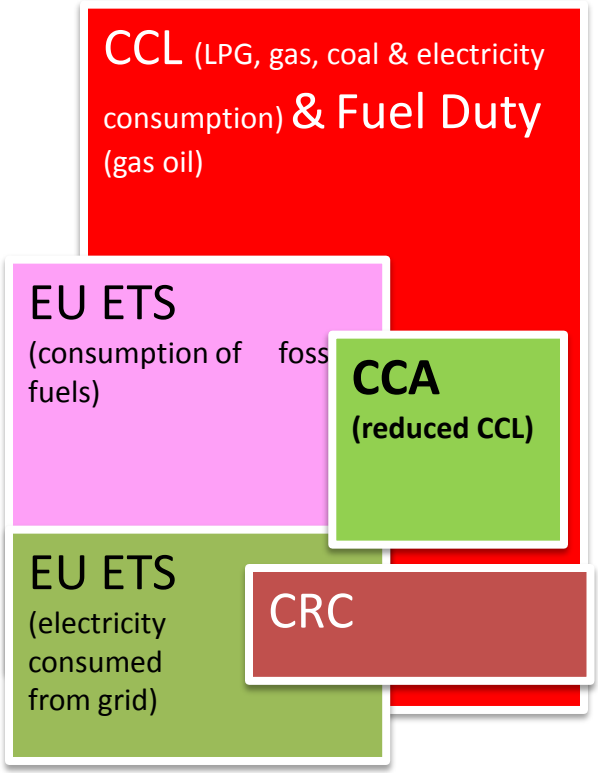
- **Retain the qualification threshold**
  - Retain the current 6,000MWh threshold, alongside other simplifications.

Improved supply rules

- **Simpler test for a CRC "supply"**
  - Removed requirement for payment
  - Dealing with streetlighting issue
- **From 29 to 4 fuels**
- **Remove domestic meters**
- **Remove electricity generating credits (EGCs)**
- **Landlord-tenant rule remains**
  - Exemption for a construction lease

More coherent policy framework

- **Fewer policy overlaps**
  - ETS installations and CCA facilities out of scope
  - Remove the 25% CCA exemption
- **Report on 100% of fuels**
  - No more 90% rule
  - De minimis for other fuels?
- **Align with emissions factors used for GHG reporting**



Flexible organisational rules

- **Flexible disaggregation for undertakings**
- **No more SGUs**
  - Introducing the participant equivalent

How will this affect your organisation?

Reduced reporting burden

- **Participants will be required to submit one annual report a year.**
  - No more footprint reports
  - One annual report in 2013/14

- **Reduced length of time to retain records**
  - 6 years to keep records

Simple trading scheme

- **Phase one sales will be retrospective**
  - Allocation Regulations
- **Moving to two fixed price sales in second phase**
- **Postpone surrender deadline**
- **Prices set through Budget process**
- **No link to EU Emissions Trading System**

Future review of performance league table

- **Second performance league table due in Autumn 2012**

- **3 metrics used for first time:**
  - 40% early action
  - 45% absolute change
  - 15% relative change

- **Reputational driver will be moved to guidance**

Tell us what you think.

This is what we think, but how will it affect you?

- **Is our impact assessment right?**
  - Please provide evidence if you have alternative views.
- **Does the legislation deliver what we intend?**
- **Is it less complex**
- **Will we still deliver the energy efficiency benefits?**

Your input is vital to ensure we get this right.

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Visit our website at:

www.decc.gov.uk/crc

www.decc.gov.uk/consultations

Email us at:

crc@decc.gsi.gov.uk

Question and answer session

Breakout Sessions – Instructions

- Agree a discussion manager and a scribe – one of which will feed back
- Use the worksheets to record your ideas
- Agree some key points to share with the group

Let us know if you need help

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Jane Dennett-Thorpe – Head of CRC and CCAs

Paul Wilson – Head of CRC

Imran Shafi – HMT

Keith Brierley– Environment Agency

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