

Carbon Reduction Commitment

Background

The Carbon Reduction Commitment (CRC) is a mandatory carbon cap and trade scheme that will apply to approximately 6,000 UK non energy-intensive organisations in the public and private sectors. It is hoped the scheme will cut carbon emissions by 1.2 million tonnes per year by 2020.

The CRC will apply to organisations with half-hourly metered electricity use of above 6,000MWh in 2008 and will include all of that organisation's emissions from electricity, oil and gas. In the case of a local authority, emissions will include all state funded schools and street lighting under their jurisdiction.

The carbon credit revenue received by the Treasury, less the cost of running the scheme, will be recycled to participants, plus or minus a percentage according to their place in a published league table of performance. The maximum bonus or penalty will be 10% in the first year and rise by 10% each year of the scheme, to a maximum yet to be confirmed, but which could be 100%. In the first year performance will be measured through the amount of action taken prior to scheme commencement.

The League Table

Each October, starting in 2011, the government will publish a league table of carbon performance for participating organisations. Participants will receive a score for each of the three metrics and these will be combined to give an overall score to determine where they are placed in the league table.

The **absolute metric** is the base metric on which the league table will be formulated and will be the percentage change of annual emissions relative to the organisation's previous five year rolling average. This will account for a 60% weighting in the league table during the introductory phase.

The **growth metric** will measure the organisation's percentage change in emissions per unit of turnover, or for the public sector it will be per unit of revenue expenditure. This will account for a 20% weighting in the league table for the introductory phase.

The **early action metric** will be in two parts. The first part is the extent that an organisation has installed smart metering. This will be measured as the percentage of an organisation's emissions covered by non-mandatory automatic metering. The second part of the early action metric will be the percentage of an organisation's emissions covered by the Carbon Trust Standard (CTS).

The two parts of the early action metric will carry equal weighting (50/50) and

account for a 20% weighting in the league table. The metering part of the early action metric will be frozen after the first year of the scheme and the entire early action metric will be discontinued after the introductory phase.

What must be done

Prior to the scheme starting, you must collect information about your half hourly metered electricity consumption from 1 January 2008 to 31 December 2008. If you exceed 6,000MWh, you will need to comply with the CRC.

If captured by the scheme, you will need to measure your energy use from all sources from April 2010 to March 2011 and prepare a 'carbon footprint' report by July 2011. Registration for the scheme will run from April 2010 to the end of September 2010.

The scheme will begin in April 2010 with a three year introductory phase of fixed price carbon allowances until April 2013, when capping and trading will commence.

The first sale of fixed price carbon allowances will take place in April 2011, when organisations must purchase enough allowances to cover their 2010/11 financial year emissions and their forecast 2011/12 emissions. The first recycling payment, covering both years, will be made in October 2011. The second sale of fixed price allowances, covering 2012/13 will take place in April 2012, with a recycling payment in October 2012.

From April 2013 the allowances will be auctioned and the total number of allowances will be capped.