



# CRCEES

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# Overview

- Introduction to CRC (CRCEES)
- Implication at present
- Going Forward with CRC





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# What is CRC

Carbon Reduction Commitment  
Energy Efficiency Scheme





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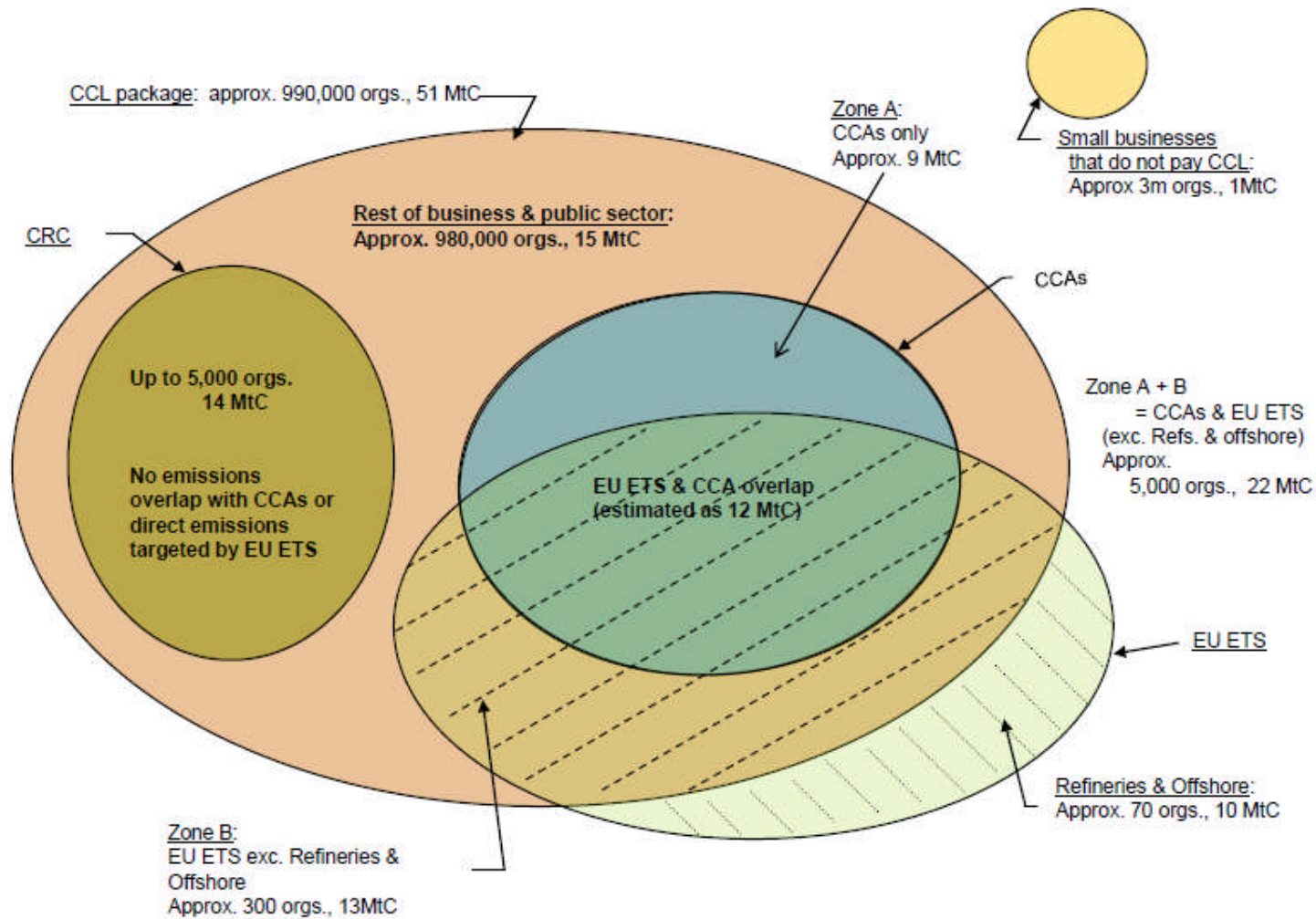
# CRCEES

- Who does it apply to?
- When does it apply?
- How does it work?





# The Who.....



Source: DEFRA Dec 07





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## The When.....

For the introductory phase:

- the qualification period is the calendar year 2008
- the registration period is April-September 2010
- the first footprint year is April 2010-March 2011
- in the first annual reporting year 2010-2011 there will be no sale or surrender of allowances and
- the first sale of allowances takes place in April 2011-March 2012.





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## The what else.....

- First year - £12 per tonne of CO<sub>2</sub>
- Two early adoption measures that give credits against footprint
- Then the (Performance) league tables.....





# Recycling bonus/penalty system

Phase	Year	Bonus/Penalty
Introductory phase	One	+/- 10%
Introductory phase	Two	+/- 20%
First capped phase	Three	+/- 30%
First capped phase	Four	+/- 40%
First capped phase	Five	+/- 50%





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# League Tables

- Reinforce the scheme objective
- Scheme wide
- Administrative simplicity
- Auditable
- Transparency





# League tables in practice

Organisation A has come 100<sup>th</sup> out of 5,000 participants in the absolute metric and scores 4900 points, 200<sup>th</sup> in the early action metric scoring 4800 points and 1500<sup>th</sup> in the Growth Metric scoring 3500 points.

Metric	Ranking	Score	Weighting	Weighted score
Absolute	100 <sup>th</sup>	4900	60%	2940
Early Action	200 <sup>th</sup>	4800	20%	960
Growth	1500 <sup>th</sup>	3500	20%	700
Overall Combined Score.				4600





# League tables in practice

Company	Absolute Metric		Early Action Metric		Growth Metric		Weighted average Score	Rank
	Reduction	Score	Extent	Score	Reduction	Score		
<b>Company A</b>	<b>10%</b>	<b>4900</b>	<b>80%</b>	<b>4800</b>	<b>15%</b>	<b>3500</b>	<b>4600</b>	<b>1</b>
Company B	9%	4850	75%	4400	10%	3000	4390	2
Company C	9%	4845	60%	3500	5%	2500	4047	3
~	~	~	~	~	~	~	~	~
Company ABC	0%	2500	22%	1200	5%	2450	2450	2500
~	~	~	~	~	~	~	~	~
Company XYZ	-10%	1	15%	500	-15%	1	1	5000

# League tables in practice

## Recycle Payments from League Table.

Company	Allowances Purchased in Fixed Price Sale		Actual emissions year three tCO <sub>2</sub>	Recycling payment calculation					
	Quantity Purchased	Revenue Paid £		Year three table position	Footprint emissions tCO <sub>2</sub>	Bonus /Penalty %	Recycling score	%total recycling score	Year 3 recycling payment £
A	800	9,600	750	1	1000	30%	1300	15%	16,003
B	200	2,400	210	2	250	15%	288	3%	3,539
C	90	1,080	90	3	100	10%	110	1%	1,354
D	2400	28,800	2500	4	2700	5%	2835	32%	34,899
E	200	2,400	300	5	300	0%	300	3%	3,693
F	2100	25,200	2050	6	2000	0%	2000	23%	24,620
G	230	2,760	250	7	200	-5%	190	2%	2,339
H	110	1,320	140	8	100	-10%	90	1%	1,108
I	1200	14,400	1500	9	1000	-15%	850	10%	10,464
J	1700	20,400	2000	10	1200	-30%	840	10%	10,341
<b>Total</b>	<b>9030</b>	<b>108,360</b>	<b>9790</b>		<b>8850</b>	<b>0%</b>	<b>8803</b>	<b>100%</b>	<b>108,360</b>

Calculations:

Company A finished top of the League Table and received a bonus of 30% to be added to their foot print emissions.  $1,000 + 30\% = 1,300$ . This is then given as a percentage against the total of the Recycling Score. In this case 14.768%.  $\therefore \text{£}16,003 = \text{£}108,360 \times 14.768\%$  (rounded to the nearest £).



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## So how will this impact?

- Cost and reputation will be a driver to be more energy efficient
- Risk is becoming another tax on the business
- Opportunity for good organisations to make money





# Analogy....

First year a bit of a walk in a late summers evening.....

....you know what's a head but can't make out everything in the distance ....

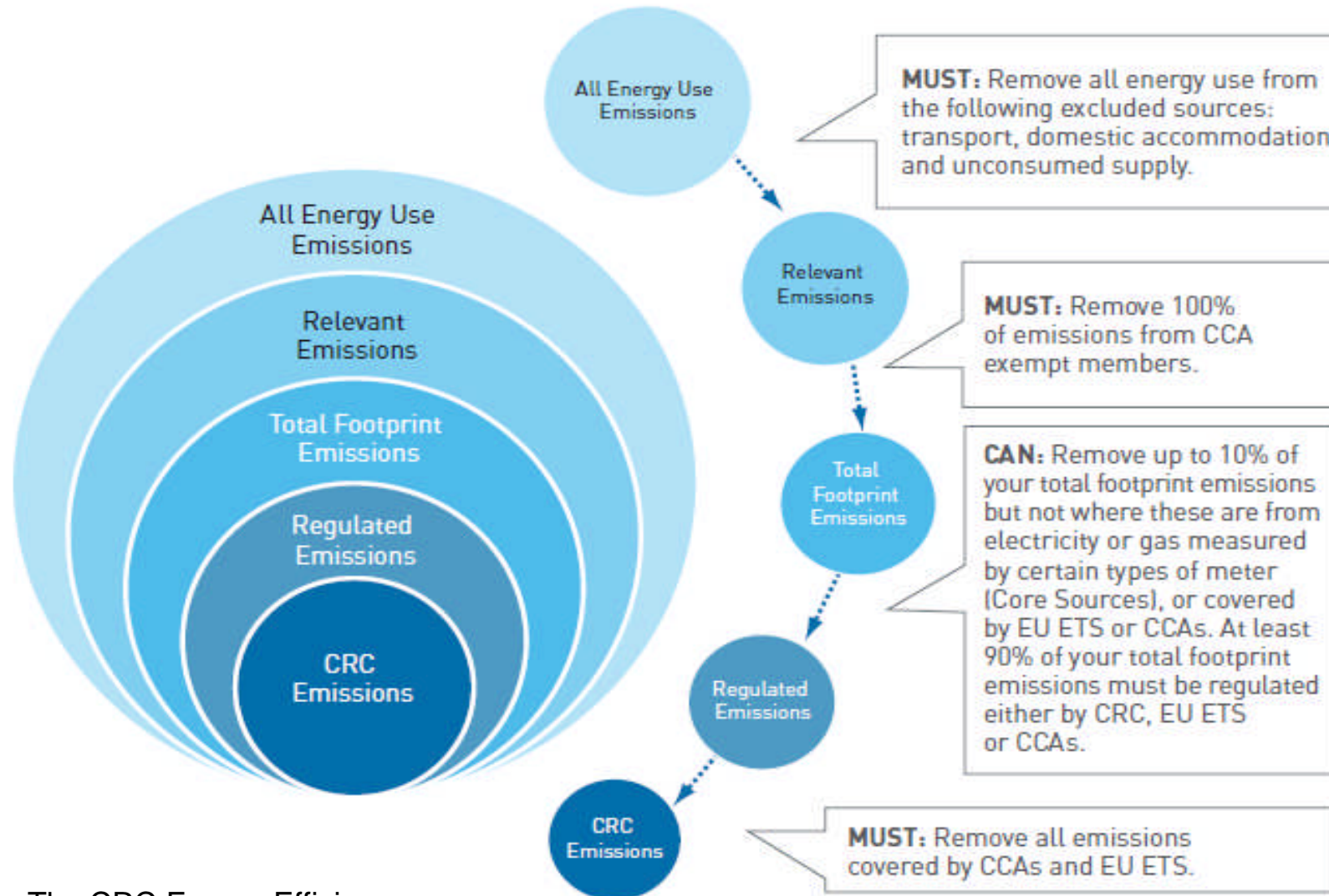
....(the known cost upfront).

In the morning you can see where you walked.....

....the league tables are published.



# What gets included





# Not Supply

- Same principals that double counting can't occur → ROCs, FITs and RHI.....
- Not a stimulus for Supply so that is why emphasis on demand savings





# Non-compliance

<b>Non-compliance</b>	<b>Penalty</b>
<b>Failure to register</b>	A fine of £5,000 plus £500 / day
<b>Failure to provide footprint report</b>	A fine of £5,000 plus 5p / tonne of CO <sub>2</sub> per working day, rate doubles after 40 days
<b>Incorrect reporting</b>	A fine of £40 / tonne of incorrectly reported CO <sub>2</sub>
<b>Failure to keep adequate records</b>	A fine of £5 / tonne of CO <sub>2</sub> for the total of emissions reported
<b>Knowingly / recklessly making false or misleading statement</b>	Magistrates Court. 3 years imprisonment and £50,000 fine.
<b>Falsifying evidence</b>	Crown Court.
<b>Intentional obstruction of regulator</b>	2 years imprisonment and “undetermined” fine.
<b>Failure to provide information or allow inspection</b>	





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## Final thing – buy allowances

- Can buy from pool at the pool price
- Or, buy from EU ETS
- Also transaction costs.





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# Overall

- CRC will reduce demand for organisations
- Will stimulate improvement measures as a complimentary financial measures (min£12/te)
- Will help the long term sustainability of UK organisations
- Ignore it, its just an uncontrolled TAX

