



## Carbon Reduction Commitment

### *Does it apply to you?*

#### *A Guidance Note on Obligations for Universities & Colleges*

#### **Executive Summary**

*The Environmental Association for Universities and Colleges (EAUC) has published this abridged version of our forthcoming Carbon Reduction Commitment (CRC) Insight Guide to inform institutions about the CRC, to establish whether institutions qualify and determine the level of support required by the EAUC.*

*Institutions that do qualify have a legal obligation to comply with the commitment within their estates. Energy usage and carbon management activities are often spread across institutions, from facilities management to procurement, finance to CSR and sustainability operations and will require buy in from all parts of universities and colleges.*

*Sources of further information are listed at the end.*

#### **1. What is the Carbon Reduction Commitment?**

Starting in April 2010, the Carbon Reduction Commitment is the UK's first mandatory carbon trading scheme. The initial phase of the Carbon Reduction Commitment will be compulsory for any institution that consumes over 6,000 MWh (6,000,000 kWh) of half-hourly metered<sup>1</sup> electricity during the period from January 2008 to December 2008. At today's prices, this is roughly equivalent to electricity bills of £1,000,000 per year.

The aim of the Carbon Reduction Commitment is to reduce the level of carbon emissions currently produced by the larger 'low energy-intensive' institutions by approximately 1.2 million tonnes of CO<sub>2</sub> per year by 2020. The UK Climate Change Act 2008 sets an 80% reduction in all greenhouse gas emissions by 2050.

Institutions will have to start buying carbon allowances to cover their carbon emissions, and that will involve

measuring and recording energy use and calculating carbon dioxide (CO<sub>2</sub>) emissions (not including transport emissions).

The revenue generated from carbon auctions will be redistributed between the scheme's participants. Each company will receive a larger or smaller amount than they originally paid for their carbon allowance, according to their performance in the CRC league table.

The Carbon Reduction Commitment will cover both public and private sectors and at present, the carbon reduction scheme is expected to affect approximately 5,000 organisations in the UK. In doing so, it is anticipated that the scheme will affect 25% of total business sector emissions within the UK.

The scheme will work in tandem with the existing European Union Emissions Trading Scheme (EUETS)<sup>2</sup> and Climate Change Agreements (CCAs)<sup>3</sup>. As a result,

where emissions have been captured by the EUETS and CCAs, these emissions will not be captured by the Carbon Reduction Commitment. In essence, the CRC is targeted at low energy-intensive users.

While the scheme doesn't officially start until April 2010, many institutions will need to make preparations before that date to ensure that they comply with all legal requirements and fully participate in the scheme. **Non-participation will be a criminal offence.**

## 2. How are institutions affected?

An institution would be included in CRC if it has at least one meter settled on the half-hourly market – and its total half-hourly metered electricity use is greater than 6,000 megawatt-hours (MWh) **between 1 January 2008 and 31 December 2008**. If your institution, including any offsite buildings/estates, spends more than £1,000,000 a year in the UK on electricity, you are likely to be included in the scheme.

Qualification for the scheme is based solely on half hourly electricity usage. However, once the scheme starts, you will have to monitor and report all your energy use emissions from all sources (all electricity, gas and other fuels) except for transport emissions, emissions covered by the EUETS and emissions covered by CCAs. **Defra propose that Institutions will be required to monitor and report their total energy use emissions from October 2009.**

For the purpose of determining scheme qualification, Defra is proposing to define half-hourly metering as:

- Half-Hourly Meters (Code of Practice 5 meters) used for billing purposes;
- all remotely read Automatic Meter Reading<sup>4</sup> (AMR) meters that produce half-hourly data (irrespective of whether the half-hourly metered electricity is settled on the half-hourly or non-half hourly market);
- half hourly light meters;
- pseudo half-hourly meters (commonly used to measure electricity consumption of street furniture – e.g. street lights, traffic lights, etc.)

**Your supplier should be able to tell you if you have any half hourly meters.**

The CRC will target UK emissions of institutions. If you

are the main campus, you will need to consider the electricity use of your other offsite campuses to assess whether you are included in the scheme. You will also be responsible for reporting on your total energy emissions for all campuses. If you are not the main campus, you will need to pass on information about your energy use to the main campus for them to report to Government at the end of each year.

## 3. How will the CRC work throughout Devolved Administrations (DAs)?

The CRC will be a UK-wide scheme which seeks to secure cost-effective emissions reductions across the whole of the UK. The UK Government is working closely with the Scottish Government, the Welsh Assembly Government, and Department of Environment Northern Ireland on this policy. Each DA supports the CRC and will work with the UK Government to ensure it is implemented in such a way that it represents an appropriate fit with their climate change strategies.

Defra have worked closely with DA officials throughout the development the CRC proposal and DA ministers have demonstrated their commitment by jointly signing-off the Government Response to the CRC consultation document.

## 4. Timeline of Events

The scheme is scheduled to begin in April 2010, with a three-year introductory phase. The first capped phase will begin in April 2013.

In February 2009 Defra will issue a user guide to provide information on what an institution has to do to assess whether it qualifies for the scheme and to guide it through the registration process. Defra will also be consulting on the CRC regulations in February 2009. The draft regulations and consultation document will be published on the Defra website.

In the summer of 2009, the Environment Agency – the scheme administrator – will contact all UK billing addresses with half-hourly meters. If you receive one of these letters, you must provide information on your half-hourly electricity consumption in 2008 and a list of your half-hourly meters to determine whether you will participate in CRC. Your energy suppliers will assist in helping you provide this information.

As the end of the qualification year approaches, it is worth reviewing the evidence pack, making sure that all the operational units and departments which should

be represented are included. Are there any gaps in the invoices and has the CRC cash flow and tax implications been reviewed? In time the institution will have to trade carbon allowances but it is worth preparing and allocating training budgets to ensure the skills will be acquired on time?

Defra is currently working on the consultation paper for the draft regulations and aims to publish it in early 2009. That will be a good opportunity for institutions to assess the proposed regulations and clarify in detail any implications, both from a strategic perspective and more detailed management and operational perspectives.

By summer 2009 institutions must have submitted their energy use data to the regulator and declared their inclusion in the scheme. Those with CCAs will also need to submit their energy use data to support petition for exemption.

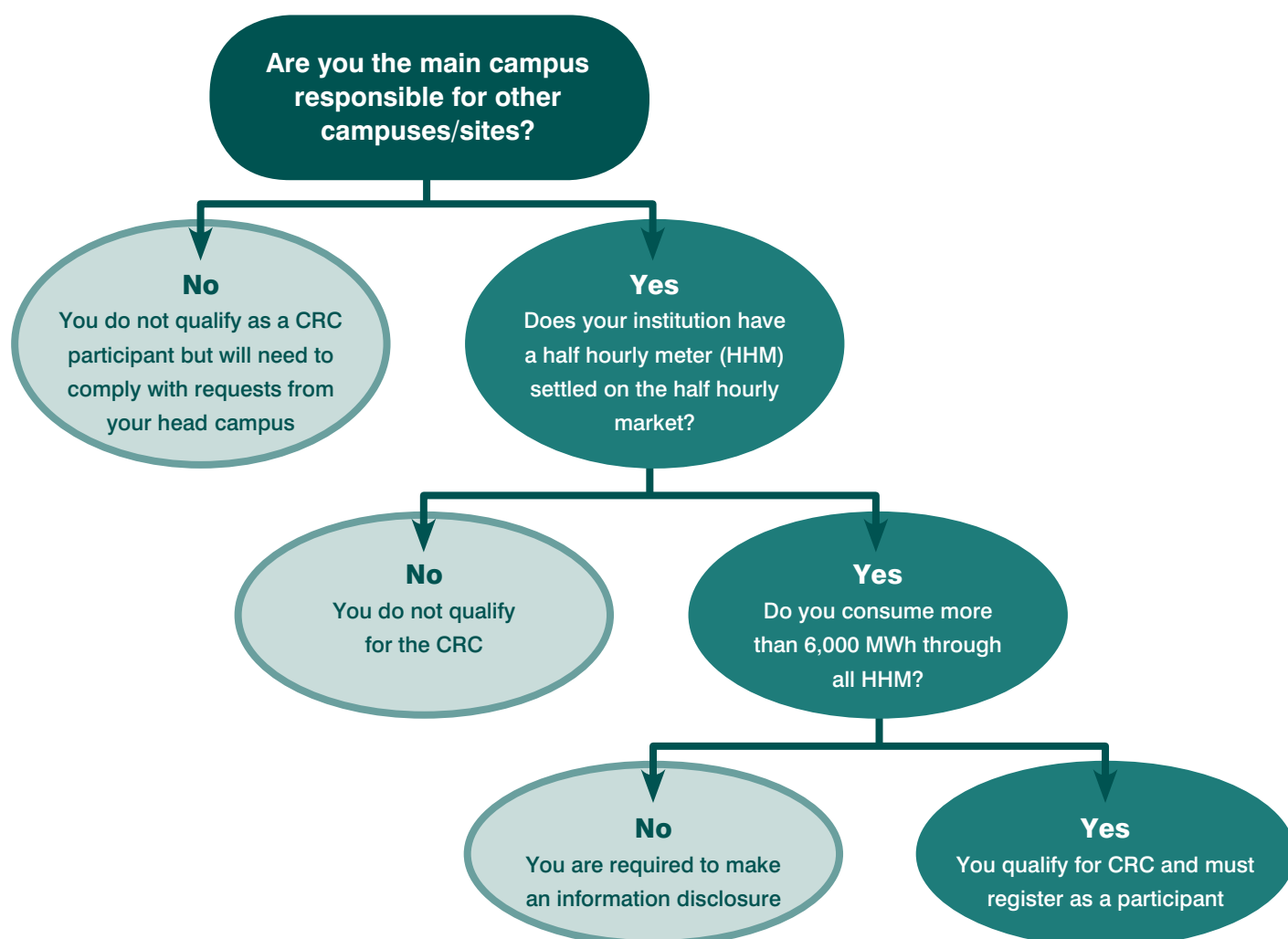
From September 2009 onwards, participants in CRC will set up their registry accounts for the start of the scheme

in January 2010. At that point participants can purchase allowances and begin monitoring and measuring emissions. A timeline of energy and emissions measuring, reporting, notifications to the regulator, announcements of emission caps, and submissions of energy use data will be available.

As the introductory phase of the scheme gives way to the first capped phase in 2013, the way in which many businesses manage their energy systems will have changed significantly. Procedures and processes, management and operational systems, human resource skills and institutional capabilities will need to be built up to respond to and benefit from these developments. That means that senior decision makers must get to grips with CRC now, if they have not already done so.

## 5. What comes next?

The EAUC would like to hear from any institution that qualifies for the CRC or if you are close to the threshold. This will allow us to tailor guidance and advise to those that need it.





## 6. Glossary

- 1 **Half Hourly Meters (HHM)**  
Is a meter which provides measurements on a half hourly basis for settlement purposes.
- 2 **European Union Emissions Trading Scheme (EUETS)**  
The EU Emissions Trading Scheme (EUETS) is a Europe wide scheme which aims to reduce emissions of carbon dioxide and combat the serious threat of climate change. EU ETS puts a price on carbon that businesses use and creates a market for carbon. It has been in place since 2005 and is the first scheme of its kind in the world.
- 3 **Climate Change Agreement (CCA)**  
Industry recognises the significant environmental benefits and variable cost savings that are possible through improved energy efficiency management. In 2001, Climate Change Agreements (CCAs) were introduced by the Government to provide industrial operators with an 80% rebate on the Climate Change Levy on fossil fuel use in return for meeting demanding energy efficiency and greenhouse gas emission reduction targets.
- 4 **Automatic Meter Reading (AMR)**  
Automatic Meter Reading (AMR) is the technology of automatically collecting data from energy metering devices and transferring that data to a central database for billing and reporting.

### Further Information

Defra will be issuing more guidance in early 2009 [www.defra.gov.uk/carbonreduction](http://www.defra.gov.uk/carbonreduction)

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