

Carbon Reduction Commitment

Does it apply to you?

Executive Summary

The Environmental Association for Universities and Colleges (EAUC) has published this updated Insight Guide to inform institutions about the Carbon Reduction Commitment (CRC) to help the sector prepare for the imminent start of the scheme and to determine the level of help 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 and a short glossary are listed at the end.

1. What is the Carbon Reduction Commitment?

Starting in April 2010, with the first payment due in April 2011, 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 metered¹ electricity during the period from January 2008 to December 2008. This is roughly equivalent to electricity bills of £500,000 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' organisations by approximately 1.2 million tonnes of CO₂ 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 (CO₂) emissions from fixed assets, i.e. electricity, gas and oil used in buildings (not including transport emissions).

The revenue generated from carbon auctions will be redistributed between the scheme's participants. Each organisation 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.

The scheme will work in tandem with the existing European Union Emissions Trading Scheme (EUETS)²

and Climate Change Agreements (CCAs)³. 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 punishable by fines and/or imprisonment at Executive level.**

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 £500,000 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. One of the key issues with the CRC will be the ability of the organisation to accurately measure and report their emissions each year. Provisions should be put in place now to ensure accurate recording of all energy uses.

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

The CRC will target the UK emissions of the highest level of the organisation. 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.

The first payment will become due in April 2011 and the first league table will be published in July 2011. The first recycling payment will be paid that October. Currently the Environment Agency – the scheme administrator – is contacting 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 allocation of training budgets to ensure the skills are acquired on time.

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. How does the 'revenue recycling' work?

In the July of each year a league table will be publicly published showing the position of all organisations within the scheme ranked on the basis of;

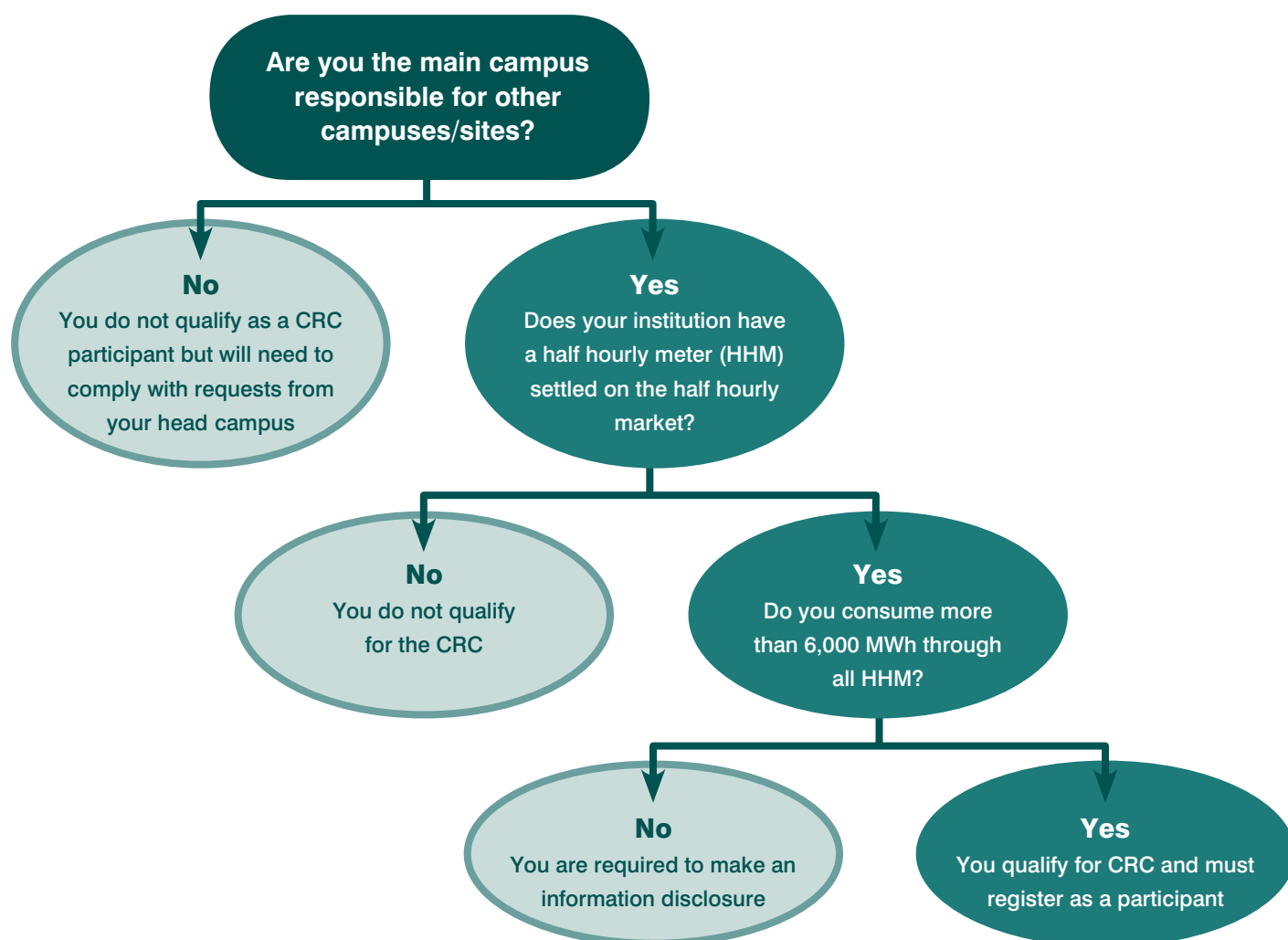
- the absolute carbon reduction made year on year from the start of the scheme (2010/2011)
- any early action the organisation has taken to reduce its emissions
- any growth or reduction in the organisation

In the first year the league table will be based on early action only. As one of the elements is the installation of

voluntary Automatic Meter Reading (AMR), institutions would do well to consider full AMR installation across all of the meters on their estate prior to 31st March 2011. This will also help to reduce the administration of reporting, help with Display Energy Certificate compliance and provide a solid foundation for energy management.

6. What comes next?

The EAUC would like to hear from any institution that has concerns regarding its likely compliance with the CRC. This will allow us to tailor future guidance and support.



7. Glossary

¹Half Hourly Meters (HHM)

Is a meter which provides measurements on a half hourly basis for settlement purposes.

²European 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.

³Climate 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.

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.

Sources of Further Information

<http://www.environment-agency.gov.uk/business/topics/pollution/111597.aspx>

http://www.eauc.org.uk/energy_water

http://www.eauc.org.uk/sorted/buildings_and_estates

Helen Exton, EAUC UK hexton@eauc.org.uk

Sarah Lee, EAUC Scotland slee@eauc.org.uk

EAUC website: www.eauc.org.uk

The EAUC is grateful to Matt Fulford, Head of Sustainability at EAUC Associate Member EC Harris LLP for his help with updating this Insight Guide. www.echarris.com

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The Environmental and Sustainability Champion within Further and Higher Education in the United Kingdom.

The EAUC provides training, advice and support to our members as well as providing a forum for best practice in the sector.

To join phone **01242 714321** www.eauc.org.uk info@eauc.org.uk

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Disclaimer: The information presented here provides an overview of legislation relevant to the management of Carbon Reduction Commitment. It does not constitute professional legal advice and in all cases where you intend to give an opinion or act on the content expressed here you should first obtain such advice.