

From the Carbon Trust

Carbon Reduction Commitment Energy Efficiency Scheme (CRC)

How it works

The CRC comprises three primary elements:

1. Emissions reporting requirement

Participants in the CRC will need to measure and report their carbon emissions annually, following a specific set of measurement rules. The first annual report of emissions is due in July 2011.

2. A new carbon price

Starting in 2012, participants will buy allowances from Government each year to cover their emissions in the previous year. This means that organisations that decrease their emissions can lower their costs under the CRC.

There are two important changes about buying allowances that the Government announced in October 2010:

- The money raised from the sale of allowances will be retained by the Government rather than recycled back to CRC participants.
- The first sale of allowances to cover emissions in fiscal year 2011/12 will be in 2012 rather than 2011.

The price of allowances has not yet been determined following the changes announced in October 2010, but the intent prior to that announcement was to sell allowances at a fixed price of £12 per tonne CO₂ through fiscal year 2012/13, with a floating market price after that.

3. Ranking of participants in a performance league table

A publicly available CRC performance league table will show how each participant is performing compared to others in the scheme. If your organisation is a good carbon performer, the league table will help give a significant boost to your organisation's reputation, demonstrating its success in cutting emissions. Please note, however, that because of the changes announced in October 2010, there is likely to be no direct financial benefit under the CRC from an improved position in the league table. Your organisation's league table position each year will be determined by performance in three metrics:

- **Early action metric:** 50% of your score is based on what percentage of your organisation's electricity and gas supplies is covered by voluntary automatic meter readings (AMR) in the year to 31 March 2011. The other half is based on the proportion of your CRC emissions certified under the Carbon Trust

Standard or an equivalent scheme. Visit www.carbontruststandard.com to find out about achieving the Carbon Trust Standard.

- **Absolute metric:** The percentage change in your organisation's emissions, compared to the average of the previous five years (or number of years available until 2014/15).
- **Growth metric:** the percentage change in emissions per unit turnover, compared to the average of the previous five years (or number of years available until 2014/15).

The weighting of these three metrics will change over time. In the first year, early action will count for 100% of your organisation's league table score. Over the first few years of the scheme, the early action metric will gradually fade in importance until the absolute and growth metrics receive 75% and 25% weightings respectively in 2014/15 and thereafter.

Background

The sectors targeted by the Carbon Reduction Commitment scheme generate over 10% of UK Carbon Dioxide (CO₂) emissions, around 55 MtCO₂. The Carbon Reduction Commitment scheme aims to reduce carbon emissions from these organisations by at least 4 million tonnes of carbon dioxide per year, by 2020.

The Carbon Reduction Commitment scheme was announced by the Government in the Energy White Paper (May 2007). The need for an incentive in this sector was originally highlighted by the Carbon Trust, in our report *The UK Climate Change Programme: Potential evolution for business and the public sector*.

What does it mean for my organisation?

Improving your energy efficiency will save you money and improve your organisation's reputation. The CRC further strengthens the business case for doing this.

Position your organisation for maximum savings

There is a clear financial incentive to perform well in the CRC. You will reduce the number of emissions allowances you need to buy if you cut emissions, putting you at a cost advantage to competitors that have not cut emissions.

The Carbon Trust can help you make the most of the CRC. By reducing your carbon emissions now, you can ensure that you lower the allowance you need to buy to satisfy the new legislation. And perhaps even more importantly, you'll be better positioned to reap the reputational benefits of a good position in the league table.

A Carbon Survey from the Carbon Trust can help you take the first step towards reducing your carbon emissions and saving money on your energy bills.

CRC league table – an opportunity to enhance your business reputation

Once the CRC is under way, the CRC performance league table will rate and compare participants' carbon reduction efforts. A high ranking could enhance your reputation with customers, suppliers, business partners, employees and investors alike. In the first year, league table rankings will be wholly dependent on two 'early action measures', one of which is a valid certificate from the Carbon Trust Standard or equivalent scheme. [Learn more about the Carbon Trust Standard.](#)