



Carbon Reduction Commitment (CRC)

The Carbon Reduction Commitment (CRC) is a new mandatory cap and trade scheme developed by the UK government to encourage large, non-intensive energy users to reduce carbon dioxide emissions. The scheme, which will help the UK to meet its Kyoto Protocol reduction targets, aims to persuade public and private sector organisations that there are significant cost and reputational benefits to be gained from a positive CRC performance. The aim of the scheme is to cut carbon emissions by 1.2 million tonnes per year by 2020.

Who is Targeted?

The CRC will apply to organisations with annual electricity consumption, via half-hourly (HH) metering, in excess of 6,000 megawatt hours (MWh). It is estimated that the CRC will involve approximately 5,000 organisations, including the service sector, public services, government departments, local authorities, and various manufacturing activities. Organisations with emissions already subject to the EU Emissions Trading Scheme (EU ETS) and Climate Change Agreements (CCAs) may still be required to comply with the CRC, depending on the degree of participation in these other mechanisms. Organisations with annual electricity bills in excess of £500,000 should determine if they qualify. The CRC will be administered by the Environment Agency, which will implement a programme of risk-based audits, to ensure that organisations fulfill their CRC obligations.

What is Involved?

Qualifying organisations will be required to purchase emissions allowances, to cover their carbon dioxide emissions from April 2010. During the introductory phase, until 2013, allowances will be available from the government in a fixed price (£12/tonne CO₂) auction. Organisations will be ranked in a "League Table", with those performing well under the terms of the CRC being rewarded by the return "recycling" of their allowance payments, plus a bonus. Those performing less well will not recover all of their allowance payments, incurring a "penalty". The scale of penalties and bonuses will increase annually, to 50% of allowance payments by 2015.

In the first year, bonuses will be based on "early action metrics", a combination of achieving the Carbon Trust Standard, which involves establishing mechanisms for carbon accounting and emissions reduction, together with installing additional automatic metering. Ultimately, success will be determined by emissions reduction performance. In order to maximise CRC bonuses and avoid penalties, organisations will need to:



- *Achieve the Carbon Trust Standard and install additional automatic metering*
- *Implement carbon accounting systems and meet CRC reporting requirements*
- *Establish proactive emissions reduction programmes*
- *Engage in carbon emissions allowance purchasing and trading*





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Timescales and Tasks

The scheme commences in April 2010 with a three-year introductory phase. However, organisations will need to take action during 2009, firstly to determine if they need to comply with the CRC and secondly to prepare to benefit from the CRC. Key CRC compliance milestones are:

- **Notification** – Between May and June 2009, the Environment Agency will write to all organisations with half-hourly billing points.
- **Qualification** – The Environment Agency will send out packs in September 2009.
- **Registration** – Qualifying organisations will need to register before 30th September 2010.
- **Footprint Report** – Participants will need to calculate their carbon footprint for the first year's emissions before 29th July 2011.
- **Evidence Pack** – Must be prepared and available for audit.
- **Annual report** – Information on participants' core consumption (electricity and gas) and residual energy consumption (e.g. fuel) during the year, by the end of July annually.
- **Statement** – Confirming that adequate records have been kept, signed by a director.

The Environment Agency requires all organisations using more than 3,000 MWh of electricity in 2008 to provide data, and those claiming exemptions must submit detailed evidence.

CRA's CRC Services

CRA recognises that many organisations have begun to consider their CRC position and may benefit from CRA's expertise in providing cost-effective support in establishing the need to comply with the CRC and how to maximise the benefits from participation. CRA offers the following suite of CRC services:

- **Analysis** – a gap analysis to determine the need to comply with the CRC and to identify options for maximising CRC performance
- **Compliance** – providing support in meeting all CRC compliance requirements, including registering for participation (Environment Agency registration packs), establishing organisational boundaries, developing carbon accounting processes, calculating emissions footprints, submitting annual emissions reports, and maintaining CRC "evidence packs" of documents and records, suitable for audit

- **Emissions Reduction** – developing emissions reduction strategies and implementing carbon management processes, including support in achieving the Carbon Trust Standard, goal-setting, behaviour change, process operations improvements, harnessing environmental management systems, competence building, emissions targeting, and benchmarking
- **Trading** – guidance on allowance purchasing through CRC auctions and trading in CRC and external scheme allowances.

Company Background

Conestoga-Rovers & Associates (Europe) Ltd (CRA) is an independent full-service environmental consulting firm that provides specialist services in Industrial Operations Support, and Property, Land, and Environmental Management. The CRA team consists of highly qualified personnel experienced in environmental permitting, impact assessments, process design, environmental engineering, and sustainable manufacturing.

Contact Information

For more details of CRA's CRC support services, please contact our Environmental Management staff on 0115 965 6700 or by e-mail to carbon@cra.co.uk. Details on our CRC and other consultancy services are available on our website: www.cra.co.uk.

A Defra consultation on the CRC closes on 4th June 2009 – see our website for details.

CRA also offers a two-day carbon accounting and management training course, approved by the IEMA. Details are available on our website or from carboncourse@cra.co.uk.



Conestoga-Rovers & Associates (Europe) Ltd

Synergy House, Unit 1
Calverton Business Park
Hoyle Road, Calverton, Nottingham
NG14 6QL

Tel: 0115 965 6700
Fax: 0115 965 5282
email: info@cra.co.uk
web: www.cra.co.uk

2,900+ Staff; 90+ Offices
UK Offices in Liverpool, Nottingham, and Reading
tel: 0115 965 6700 web: www.cra.co.uk email: info@cra.co.uk

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