
UK CARBON REDUCTION COMMITMENT

Summary

The Carbon Reduction Commitment is a statutory taxation scheme coming in to operation from 1st April 2010. Organisations qualifying for this taxation have until then to reduce their fiscal liability by cutting their current carbon emitting energy consumption.

Qualification for the scheme will be based upon an organisation's emissions during 2008.

Action:

1) Qualification Self-Assessment in Q1 2009.

2) Qualify? => Rapid Liability Reduction Delivery Plan Q2 09 thru' Q1 10.

Government plans a detailed consultation on the Carbon Reduction Commitment (CRC) draft regulations in February 2009. The CRC proposes to apply a Cap & Trade mechanism on Greenhouse Gas emissions via an auction & trade scheme beginning in April 2011; when emissions allowances for 2010 & 2011 emissions will have to be bought.

Who will it affect?

Organisations, including schools, will be included in CRC when they have used more than 6,000MWh (about £500,000) of 'half-hourly metered' electricity during 2008. By example, one 7,000m² office block housing 250 office staff consumed 1,800MWh in 2007. Organisations using <6,000MWh half-hourly electricity will need to register an exemption.

Qualification Assessment

1. One half-hourly (HH) meter settled on the HH Market or at least one 70 kVA meter;
2. Organisation-wide HH electricity consumption more than 6,000MWh during 2008.

Half-hourly electricity use must include:

- Mandatory HH meters;
- Voluntary HH meters;
- Remotely read Automatic Meter Reading (AMR) meters that produce HH data (irrespective of whether the HH metered electricity is settled on the HH or non-HH market);
- Pseudo half-hourly meters (commonly used to measuring electricity consumption of street furniture – e.g. street lights, traffic lights, etc.).



For further information and advice on CRC and mitigating forthcoming liabilities, please contact Phil Cookson or Mark Clayton on 01984 624989 or at environment@aardvarkem.co.uk

Qualification Baseline

Organisations will be required to calculate their electricity use based on information provided by their utility suppliers. Our experience is that actual usage can be less than usage information provided by utility suppliers. Aardvark recommends that the process of gathering and verifying actual electricity use during 2008 begins immediately.

Scheme Start

If an organisation has at least one half-hourly meter they will have the legal obligation to register; those with HH electricity use over 6,000Mwh in 2008 will participate in the scheme. Registration will be from 1st April 2010 to 30th September 2010. Where an organisation fails to register by the due date, a fine will be charged.

1st April 2010 is also the start date from when all fixed point fossil energy emissions will be assessed and used for calculating the volume and cost of emission allowances.

Affected Organisations

The CRC will target UK emissions of the highest parent organisation. If you are the highest parent organisation you will need to include the electricity use of your subsidiaries to assess whether you are included in the scheme. You will also be responsible for reporting on your total energy use emissions, including those of your subsidiaries.

Scheme Roll-Out

Once the scheme starts, it is proposed that monitoring and reporting will be required of emissions from:

- all fixed point energy sources (electricity, gas, other) excluding a 10% *de minimis* and emissions covered by the EU ETS and by the Climate Change Agreements
- Emissions assigned to counterparty to supply contract

Aardvark Recommend:

- Q1 09: determine actual consumption data and verify this against power utility invoices as 2008 will be the Base Year for assessment;
- Spring 09: establish the potential liability;
- Develop proactive emissions management systems, integrating real-time energy monitoring to measure change and deliver emission reductions and cash savings prior to April 2010.



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