



written by Bobby Collinson

CRC: Making the most of the changes

In this, the last Power Efficiency article looking at the CRC Energy Efficiency Scheme, we look at what the announcements made in the recent 2010 Comprehensive Spending Review mean for your participation.

The facts about the changes to the scheme

The Coalition Spending Review report has set down a number of changes to the scheme, these are best summarised as:

- The revenue from selling CRC carbon Allowances will now NOT be recycled to participants but will be retained by the government
- The first Allowances payments (for the year 2011-2012) will be in 2012 not 2011 and hence these are paid in retrospect/arrears
- Further decisions on Allowances sales become a matter for the Budget

What this means for your organisation

The Department of Energy and Climate Change (DECC) has indicated that the intention is to continue with the League Tables along with annual reporting and allowances purchasing, subject to a consultation exercise later this year. In Power Efficiency's view this will mean that:

- The scheme essentially becomes a green tax at around 5-10% of annual energy costs (payable in arrears as is normal for taxes)
- The scheme's Allowance costs (as a tax) should be on-chargeable to any tenants
- Good performance in the League Tables will still have substantial benefit in terms of reputation
- The overall effect of a green tax will be to further encourage energy efficiency and reduction of carbon emissions

You still have to comply

Getting match fit for the scheme falls into two parts: compliance and making the most of it for your business. The deadline for registration has passed, so if your company is covered by the scheme but not registered, then you must catch up – failure to do so will risk a fine as a persistent non-registrant, non-responding offender.

Equally if you rushed your registration and fear it may not be accurate then don't worry. The Environment Agency (EA) appears to be accepting that Evidence Packs may not be finalised and your first formal report is the Footprint report in July 2011. Get in place the processes to work on this Evidence Pack as a rolling exercise to avoid problems when the deadline looms. Consider seeking professional help to review your registration and Evidence Pack plans.

You will need to prepare for passing the CRC Allowances cost on to your tenants and the best way to do this is to incorporate it into your service charges. This in itself can be a complicated process and may require the support of an external agency, such as Power Efficiency, to manage on-charging and ensure the accuracy of those charges.

The way forward

For existing scheme participants the approach to be taken is one of minimising the costs and risks associated with the scheme in its proposed new format. We recommend that participants take the following action:

- Review the implications of the changes now – particularly impacts on cashflow and the increased net cost. Your strategy must change to minimise exposure and manage your footprint downwards - consider the role of Climate Change Agreements and tenant direct supplies
- You will need to be keep yourself up to date on the legislation and its implications or use an external agency to advice on the practical steps to be taken when further changes are made
- You will still need to forecast 2011-12 for budgeting purposes. This is even more important now that you won't get the Allowances costs back
- You can now scrap processes you had in place for the receipt and distribution of recycling payments from government in October each year from October 2011

- Allowances purchasing is not affected except in its timing. You will still need to buy the allowances for 2011-12 and 2012-13, but the purchases are deferred by a year
- Tenant on-charging has become a key issue and should include CRC Allowances costs
- Consider sub-meter AMR as it now has increased value, because it can help ensure tenant charging is correctly metered and calculated
- Main meter AMR and Carbon Trust accreditation have value in their own right and should also retain their reputational role by improving your league table position

Finally as the priority to benefit from the Scheme is to manage your energy use downwards, here is a list of some of the actions you should be looking at to achieve this:

- Identify the big, guzzling buildings that use the most energy and will respond to attention
- Start feedback to buildings, operators and occupants about the scheme and the way you will run it
- Ensure alerts are in place for excessive energy use or high profile demands
- Integrate your CRC Allowance charges into tenant (or occupant) billing service charges
- Instigate a process to escalate promising sites with high savings potential to receive detailed investigations and capital investment measures.