

The Carbon Reduction Commitment

SUSTAINABLE IT BRIEF: 1 December 2008



The Carbon Reduction Commitment (CRC) is a new mandatory UK-wide CO₂ emissions reduction scheme that will apply to any organisation that consumes 6,000MWh or more of electricity as measured through half-hourly meters in 2008. This is roughly equivalent to an annual electricity spend of £0.5million or more for 2008. CRC organisations will be required to purchase allowances for their energy consumption at approximately £12/tonne/CO₂ between 2012 & 2013 and at market price thereafter.

For example, if you use 30,000MWh of energy per annum to run your business, it could cost you £194,000 to purchase your CRC allowances in 2010.

How many organisations will be affected?

DEFRA calculates that the CRC will affect about 5,000 organisations, although this figure could be as many as 15,000.

Who is affected?

Organisations as diverse as banks, supermarkets and other retail organisations, cinemas, hotels, local authorities and even schools will be required to participate.

What does the CRC mean for me?

If your organisation spends £0.5m or more on electricity in the UK in 2008, the CRC will require you to:

- measure your energy usage through fixed point sources
- report to government on that usage
- pay for the emissions your energy creates

Summary

The CRC is designed to focus organisations – at Board Level – on reducing emissions and saving money through energy efficiency investments. It applies to any organisation (public body, government department, company, group of companies or subsidiary) that pays a UK electricity bill and has total annual energy consumption (electricity, gas, diesel, and LPG (but not transport fuels) measured through half-hourly meters (HHMs) of more than 6,000 MWh in 2008, roughly equivalent to £500,000.

The government estimates that the CRC sector represents 10 percent of the UK's emissions at 51 million tonnes of CO₂ annually. The CRC scheme aims to give companies incentives to improve energy efficiency by directly rewarding energy savings. The government expects to achieve an annual saving of 4.4 million tonnes of CO₂ by 2020 through the scheme.

What are the implications of the CRC for my business?

1. **Financial**
 - a) Outlays will be required to purchase allowances to cover energy usage. These will cost £12/tonne of CO₂ in the introductory phase of the scheme (2010-2013). This figure is expected to rise in later Phases of the Scheme.
 - b) It is expected that a bonus or penalty (recycling payments) will be paid to organisations that perform well/perform poorly. In Phase I of the scheme, there will be a penalty cost of £25 per tonne of CO₂ for failure to reduce energy consumption. The costs of failure to reduce are expected to be higher in later Phases of the scheme. Conversely, organisations that achieve energy efficiency improvements can expect to receive incentives. This will represent a boost to the organisation's bottom line.

2. **Cash Flow**

For more energy intensive scheme participants, the timing and value of payments will have a significant cash flow impact. Allowances will need to be purchased in April. However, payments for achieved energy efficiency will not be paid out to participants until October.

3. **Reputation**

All participating companies will be included in the CRC League Table from 2011. Organisations that improve energy performance will be at the top of the league tables, while organisations that fail to improve will be at the bottom of this publicly available, transparent instrument. A culture of naming and shaming is likely to arise in the media and the damage to reputation caused by being named the “worst green company” could be severe.

4. **Reporting**

Many organisations, particularly those unaccustomed to collecting and reporting this type of data, are likely to experience increases associated with the cost of reporting.

What is the timeline for the CRC?

In mid-2009, the government will publish draft regulations and guidance. It will then contact organisations that have half hourly meters. CRC Scheme members will also be confirmed in early to mid 2009. Participants will then be provided with registration packs and will be required to begin measuring emissions. The regulation comes into force in October 2009.

Phase	Dates	Allowances	Price
Reporting	October 2009 – March 2010	N/A- CRC organisations are required to report on their total emissions and have until September 2010 to return registration packs to the Environment Agency	N/A
I - Introductory	April 2010-March 2013	Unlimited supply; Allowances for 2010 sold retrospectively in April 2011. Hence, allowances for 2010/2011 and 2011/2012 must be bought in 2011	£12/t CO ₂
II	April 2013 – March 2018	Cap & trade scheme introduced; Allowances auctioned through a 'sealed bid' mechanism	Market price

Are there any exemptions?

In general, emissions which already fall under the scope of the EU ETS (EU Emissions Trading Scheme) or CCAs (Climate Change Agreements) will be exempt from inclusion in the CRC. It must be emphasised that it is emissions and not organisations which are exempted.

What if I already purchase Green Energy?

To encourage the use of carbon saving measures, green energy generated on-site from renewable sources, such as wind energy, will be zero rated for CO₂ emissions (unless Renewable Obligation Certificates (ROCs) are already in place).

What happens if I don't purchase enough allowances in the Government sale to cover my organisation's emissions for the year?

If you did not purchase sufficient allowances to cover your emissions, you have two options:

- a) Undertake measures to improve your energy efficiency
- b) Purchase additional allowances at market rate on the secondary market

What happens if I purchase too many allowances?

If you purchased more allowances than your organisation needs to cover its emissions, you have two options:

- a) Roll them over for use in the following year (this cannot, however, be done between scheme phases)
- b) Sell them on the secondary market (Allowances, however, cannot be sold on the EU ETS secondary market).

How will recycling payments be determined?

The revenue raised will be recycled to participants. The amount recycled to an organisation in each year of the scheme will be proportional to their 2010/2011 emissions. However, an organisation's position in the league tables will also affect its recycling payments.

Recycling payments will be adjusted by a bonus or penalty related to their performance in the CRC league table. This adjustment will be +/- 10% in 2010/2011, rising to a maximum of +/-50% by 2014/2015 and potentially to +/- 100% in later years.

An organisation can improve its league table ranking by adopting early action. This is because the league table metrics give credit to CRC organisations that have introduced energy efficiency measures *before* the start of the scheme. This can be achieved in two ways 1) by installing voluntary Automatic Meter Reading (AMR) and 2) gaining accreditation under the Carbon Trust Standard. As such, both a desire to maximise recycling payments as well improve an organisation's ranking will provide further incentives for emissions reductions and energy efficiency improvements, even before the scheme begins.

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- 1) Installing voluntary Automatic Meter Reading (AMR)**
- 2) Gaining accreditation under the Carbon Trust Standard.**

How will compliance with the scheme be monitored?

The CRC is designed to be 'light touch' in terms of administration of the scheme, reporting and auditing requirements. CRC organisations will be required to self-certify by submitting an evidence pack. However, 20% of CRC Organisations annually will be selected for an audit. Due to the 'light touch' nature of the scheme, the government has indicated that penalties are likely to be largely financial and are likely to be heavy.

What can you do and how can Computacenter help?

At Computacenter, we offer a range of Sustainable IT Services to help you meet your obligations under the CRC.

Step 1 – Assess

Understand your overall carbon footprint and energy consumption and IT's contribution to it.

At Computacenter, we offer a comprehensive assessment service which includes a 1) Client Device Power Audit to help you understand how much energy is being consumed by your desktops, laptops, printers and other client devices and 2) a Datacentre assessment to help you understand the energy consumption of your datacentres. Working in partnership with select organisations, we can offer these services as part of an overall organisational carbon footprint.

Step 2 – Optimise

Take steps to reduce your energy consumption and reduce costs by using IT efficiently to streamline your operations

1. Upgrade or replace aging, energy inefficient client devices
2. Deploy desktop power management solutions
3. Optimise your printing solutions
4. Reduce carbon emissions and travel cost by using audio visual, video conferencing and unified communications technologies
5. Reduce cost, travel and office space capacity through Desk/Branch Optimisation
6. Migrate appropriate users to thin client technology or equivalent virtual desktop infrastructure
7. Optimise and consolidate your applications
8. Optimise your datacentre environment
9. Virtualize and consolidate servers and storage
10. Decommission redundant kit

For more information on the CRC and what it means for you and how Computacenter can help, contact Tashweka Anderson, Business Manager, Sustainable IT; +(44)(0)7801 451 843; tashweka.anderson@computacenter.com; or your Computacenter Account Manager

For further information go to:

<http://www.carbontrust.co.uk/climatechange/policy/CRC.htm>

<http://www.defra.gov.uk/Environment/climatechange/uk/business/crc/index.htm>

<http://www.carbontruststandard.com/>

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