

# The simplification of the CRC energy scheme

## An overview of the simplification of the CRC Energy Scheme

08/04/2013

### Introduction

On 10 December 2012 the Government published its consultation response on simplification of the CRC Energy Efficiency Scheme (CRC). This note summarises the main changes and gives a timetable for when we will publish guidance and amend the Registry (the IT system used to administer the scheme). To see the changes in their entirety, you may wish to refer to the [Government Response to the Consultation on Simplifying the CRC Energy Efficiency Scheme](#), and the new [draft CRC Order](#). The Order was laid before Parliament on 4 March 2013 and, subject to parliamentary approval, is intended to come into force on 13 May 2013.

### Background on CRC

CRC is a UK-wide emissions trading scheme to incentivise the take up of cost-effective energy efficiency opportunities. Organisations that meet the qualification criteria – typically large public and private sector organisations – have to take part. Government Departments must participate regardless of whether they meet the qualification criteria or not.

The scheme is split into phases. Each one is a specified time period within which qualifying organisations must participate. Phase 1 started on 1 April 2010 and runs until 31 March 2014. Phase 2 is from 1 April 2014 to 31 March 2019. Thereafter there will be four further phases, each of five years, and a final phase of four years commencing in April 2039.

Each year of a phase, CRC participants have to monitor and report their energy supplies. The Registry uses this information to calculate their emissions of carbon dioxide (CO<sub>2</sub>). To offset these emissions each participant must purchase and surrender “allowances”. One allowance must be surrendered for each tonne of CO<sub>2</sub>. The allowance price of £12 introduced in 2011-2012 remains unchanged through to 2013-2014. It will rise to £16 in 2014-2015, and from 2015-2016 onwards will increase in line with the retail price index.

Qualification for Phase 2 will depend on your energy use in 2012-13. If you meet the qualification criteria you will need to register for Phase 2 by 31 January 2014. The new rules on qualification are explained in guidance on [Assessing Qualification for Phase 2](#).

### Main changes and timetable for their introduction

The main changes introduced by CRC simplification are set out in the attached table. The majority of the changes will be introduced at the start of Phase 2. The following changes will also apply to the last two years of Phase 1, 2012-2013 and 2013-2014:

- The reduction in reportable energy supplies from 29 to two – gas (used for heating purposes only) and electricity.
- The reporting of 100% of relevant electricity and gas supplies is required for the remaining reports under Phase 1. Previously participants had to ensure that at least 90% of their emissions were covered by the EU Emission Trading System, Climate Change Agreements and the CRC schemes.
- Exclusion of domestic gas supplies and any other gas supplies with an annual quantity of 73,200kWh or less.
- Exclusion of electricity supplies from domestic sources and those indicated by meter profile classes 01 (domestic unrestricted) and 02 (domestic Economy 7).
- Introduction of an organisation-wide 2% de minimis threshold for gas. If the gas you use for heating is less than 2% of your electricity consumption (compared in kilowatt-hours) in the first annual reporting year of a phase, you don't need to include it at all.
- Restriction of the circumstances where you can claim Electricity Generating Credits.

- Changes to the deadlines for obtaining and surrendering allowances.
- Abolition of Performance League Tables. Instead the Environment Agency will publish data on participants' energy use and emissions.

### Changes to CRC allowance arrangements for 2013

During the simplification process, it was noted that the cluster of deadlines for obtaining and surrendering allowances, around the end of July, created difficulties for some participants. Changes are therefore being made to increase the time available for participants to comply.

Subject to Parliamentary approval of the new CRC Order and intended amendments to the Allocation Regulations 2012, the surrender date for allowances will be put back to the end of October from this year. In addition, the payment period will be moved to the first three weeks of September and there will be only one allocation period, running from the start of September to mid-October. These changes will come into effect for this year. The allowance-related deadlines for 2013 will therefore be as follows:

- Application (ordering) period for allowances - 3 June to 31 July.
- Payment period for allowances ordered - 2 September to 20 September.
- Allocation period for allowances - 2 September to 15 October.
- Surrender deadline for allowances - 31 October.

Further to difficulties encountered last year with the use of digital certificates, the ability to order and surrender allowances will be extended to primary and secondary contacts. For those wanting to trade allowances, the use of digital certificates will be retained for the 2013 sale, allocation and surrender period.

### Further advice and guidance

The Registry and our guidance are being updated to reflect the changes to the CRC scheme as shown in the timetable below. We will keep participants up to date on what is coming up and when and any changes to this.

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| • <a href="#">Assessing Qualification for Phase 2</a> | issued December 2012 |
| • <a href="#">Amended Phase 1 Compliance guidance</a> | issued February 2013 |
| • Phase 2 Registration guidance                       | April 2013           |
| • Registry system changes                             | June 2013            |
| • Phase 2 Compliance guidance                         | October 2013         |

If you have queries on the policy issues contained in DECC's consultation response, please contact DECC. If you have further queries on how we will administer the Scheme that are not answered by this quick guide or our guidance, please contact the CRC Helpdesk by **email to [CRChelp@environment-agency.gov.uk](mailto:CRChelp@environment-agency.gov.uk) or on 03708 506 506**. The helpdesk service is for all participants in the CRC scheme, regardless of their location in the UK. If you are based in Scotland you may wish to contact the SEPA email helpdesk on [crc@sepa.org.uk](mailto:crc@sepa.org.uk).

Summary of main changes to CRC

Current scheme	Simplified scheme	When
<p><b>Reporting of emissions</b>  <b>The current scheme applies to 29 energy supplies. Reports are required annually.</b></p>	<p>You now only need to report on two energy supplies - electricity, and gas (supplied through the gas network and used for heating purposes only). As regards the provision that gas is covered only when used for heating purposes, we have sought clarification of the policy intent to determine how this should be interpreted. DECC have confirmed that space heating and any process that involves heating, other than for generating electricity, is included. Therefore a process (for example) such as cooking, drying or other activity where gas is combusted to generate heat, even if heating is not the final outcome of the process, is included.</p> <p>100% reporting of electricity and gas is now required following the reduction down to two fuels.</p> <p>Domestic electricity and gas supplies are excluded. Metered electricity using meters of profile classes 03 and 04 will need reporting. The annual threshold of gas supplies of less than 73,200 kWh may mean that a gas supply may come in or fall out each year.</p> <p>Participants may assume that all their gas consumed was for heating purposes. However, if your gas for heating purposes is less than 2% of your overall electricity consumption in the first year of a phase (as measured in kilowatt-hours) you do not need to report or purchase allowances for those emissions.</p>	<p>Immediately for the remainder of Phase 1</p>
<p><b>Footprint report and the 90% rule. Participants must prove that at least 90% of their emissions are regulated under EU ETS, CCA and CRC.</b></p>	<p>Both the footprint report and 90% rule have been removed. Participants need to report 100% of their relevant emissions in their annual reports (see notes regarding the exclusions and the de minimis for gas).</p>	<p>Phase 1 onwards.</p>
<p><b>Electricity Generating Credits (EGCs)</b>  <b>Participants can claim EGCs on generating electricity providing the applicant is not issued with a Renewable Obligation Certificate (ROC) and is not in receipt of a feed-in tariff (FIT).</b></p>	<p>EGCs can be claimed in restricted circumstances for the rest of Phase 1. This is explained in our <a href="#">compliance guidance</a>.</p>	<p>Remainder of Phase 1 reporting and surrender obligation</p>
	<p>No Electricity Generating Credits can be claimed in Phase 2.</p>	<p>Phase 2 reporting and surrender obligation</p>
<p><b>Performance league table (PLT)</b>  <b>The PLT and associated achievement tables are</b></p>	<p>The PLT and associated achievement tables have been removed from next year. Instead we will publish information on participants' energy use and emissions.</p>	<p>After July 2013</p>

<b>compiled using metrics that are defined in the CRC Order and must be published setting out prescribed information.</b>		
<b>Data retention</b> Participants are currently required to retain their data for seven years from the end of the phase, with some records (first PLT position, footprint and annual report) kept for the duration of participation.	Data retention will be for six years from the end of the compliance year to which it relates.	From Phase 2 registration
<b>Qualification threshold</b> If the aggregated usage of electricity during the qualification year is at least 6,000MWh of qualifying supplies, measured through half hourly meters and dynamic supplies, then the organisation qualifies and needs to register as a participant.	You will qualify if your organisation was supplied with at least 6,000MWh of qualifying supplies of electricity through settled half hourly meters. Dynamic supplies do not count towards qualification at all, whether half hourly settled or not. Irrespective of the changes, Government Departments are still required to participate.	Phase 2 qualification based on 2012-2013 as the qualifying year - registration due by 31 January 2014
<b>Supply rules</b> CRC contains supply rules that assign CRC obligations for assessment of qualification and for annual reporting and surrender of allowances.	Many changes have been made to supply rules. These are in relation to third party supply, payment, meter types, thresholds, purpose of supply and unconsumed supply. For more information refer to the <a href="#">Government response</a> and our updated qualification and compliance guidance.	Most changes apply from Phase 2. Some have immediate effect in Phase 1
<b>Landlord-tenant rules</b> If the landlord is responsible for the energy supply to its tenants then the landlord has CRC responsibility for reporting energy supplies and surrendering allowances on the behalf of its tenants. A landlord cannot claim unconsumed supply.	The landlord tenant rule will no longer apply where the tenant has a construction lease for a minimum of 30 years.	Phase 2
<b>Climate Change Agreements (CCAs) and EU Emissions Trading System (EUETS)</b> In Phase 1, electricity supplies to CCA and EUETS facilities count as part of CRC qualifying	CCA and EUETS facilities have been removed completely from the scope of CRC. As a result CCA exemptions are no longer needed and have been removed.	Phase 2

<b>supplies. Participants with CCA facilities are able to claim full or part exemption from CRC providing certain criteria are met.</b>		
<b>Schools Qualification for local authorities previously included schools.</b>	All state funded schools in England have been withdrawn from participation in CRC. The scheme continues to apply to schools in Scotland, Wales and Northern Ireland.	Phase 2 registration and onwards
<b>Disaggregation Participants with undertakings could only disaggregate certain parts of their structure known as Significant Group Undertakings (SGUs – groups of undertakings which met the qualification threshold in their own right – which would then participate in CRC separately), and only during registration.</b>	Participants will be able to disaggregate any undertaking in their group at any time, providing it does not include the highest UK undertaking.	From Phase 2 registration
<b>Designated change To minimise losses of emissions from the scheme, groups of undertakings that would have qualified in their own right were defined as SGUs as above. If these SGUs left the parent group they were required to continue to participate in some form for the rest of the phase. This is called a designated change.</b>	The concept of the SGU has been redefined and renamed as a Participant Equivalent (PE). A PE is a single undertaking that would have qualified in its own right but is a subsidiary of a group participant.	From Phase 2 registration
<b>Emission factors Emission factors are fixed for a whole phase.</b>	Emission factors for electricity and gas will remain fixed for the whole of Phase 1.	For the remainder of Phase 1
	Emission factors for Phase 2 will be set each year in line with national Greenhouse Gas Emission factors, and a separate emission factor will be set for self-supplied electricity.	Phase 2 reporting
<b>Sale of allowances Allowances are sold once per year.</b>	There will be two sales of allowances for each compliance year. The first sale at the start of a compliance year will be based on predicted emissions at a lower price. The second will be a “buy to comply” sale after the end of the compliance year at an expected higher price.	Phase 2