

## Rushton EPC Brief: The Carbon Reduction Commitment

### Does the new CRC scheme prove that there can be smoke without fire?

With the downturn in the economy business owners had bigger issues to worry about than the CRC scheme and it appears that the scheme has caught some owners by surprise. The energy consultancy industry is now alive with consults offering advice on the scheme but care should now be taken to fully understand the schemes requirements before spending any serious money on outsourced consultancy advice.

To help you understand the scheme we have prepared a simple guide below.

#### Executive Summary

- Carbon cap and trade scheme.
- Compulsory participation for energy usage over 6,000MWh or with half-hourly meters.
- Scheme starts in April 2010 but qualification based on consumption in 2008.
- Participants must purchase carbon allowance prior to each scheme year.
- League table will be published listing best / worst offenders.

#### Overview

The carbon reduction commitment (CRC) is a legally binding scheme which focuses on the actual carbon footprint of companies. All participating companies will be required to buy carbon credits to offset their carbon emissions.

The overriding aim of the scheme is carbon reduction and energy improvement by:-

1. Charging companies for their carbon allowance for the coming year.
2. A league table showing energy usage and improvement on previous year's consumption.

The league table will work by name and shame the worst offenders so as to encourage energy conservation improvements to help reduce carbon emissions. The league table will also act as a mechanism to reward the best and penalise the worst participants as the money from the sale of credits will be recycled back into scheme via the league table.

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## Who qualifies?

Qualification is determined by the amount of electricity consumed in the 2008 calendar year and is compulsory if organisations use half hourly meters (HHM's) and automatic reading systems (AMR).

Participants in the scheme should have received notification that they are captured by the scheme and applied for their qualifications packs.

The Environment Agency will act as the regulator in England and Wales. The Scottish Environmental Protection Agency as regulator in Scotland and the Northern Ireland Environment Agent in Northern Ireland.

It is important that each participant keeps an up to date evidence pack so that they can show energy consumption and emissions from each compliance year. If selected for audit the regulator will request that the evidence pack is disclosed.

## Market Effects

Recent legislation such as EPCs, DEC and BREEM have been the building blocks in changing the mindset of occupiers, property owners and developers in the commercial property sector. The property sector is now tuned in to the benefits of green buildings and all parties are considering energy efficiency when making decisions on property.

The CRC scheme is further reinforcement of the trend toward more energy efficient buildings and is likely to have an impact on rents, yields and property transactions. As such it is important that all parties are aware of the impact of CRC as early as possible before undertaking a transaction.

### Positive effects of the scheme

- Legal and monetary incentive to improve energy and carbon reduction through active management.
- Clear transparency on companies' corporate social responsibility (CSR).
- Creating an industry energy performance scheme

### Negative effects of the scheme

- Additional administrative duties for participants.
- Reduced cash flow by forward funding carbon purchase.
- Ongoing management of emissions to ensure correct credit levels.

Overall the CRC scheme is seen as a positive step forward in understanding a company's carbon emissions and managing these emissions going forward.

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## The Untold Facts!

For most participants the CRC scheme will increase their energy budget by around 5 -10% per annum. In reality this is a small increase in the energy budget and most organisations have the resources to complete the majority of the work involved with the scheme in-house. The three main areas of the scheme that participants should consider are:-

### 1. Data Collection and Analysis

A company must first understand how much electricity was used in the previous year to calculate how many carbon credits to purchase in the forthcoming year. Utilities companies now have a legal duty to provide you with consumption data on a yearly basis and various utilities companies will help you work out your carbon allowance for a small additional sum.

### 2. Energy Reduction

A good league table position can only be achieved by energy reduction. Most building occupiers have retained service engineers who deal with the heating, ventilation and lighting. The goal for all participants in the scheme should be to ensure that each service is running correctly to maximise energy efficiency.

### 3. Improved Working Practices

The final area to consider is training staff to ensure that environmentally friendly ideas are put into practice to reduce needlessly energy wastage. This can range from the simplest idea like turning off lights in unused meeting rooms to an idea of powering down the air-conditioning outside core office times.

## The Next Steps?

- Clarify whether you are captured by the CRC scheme.
- Collate information on meters and energy consumption in 2008.
- Register for the scheme if energy consumption is more than 6,000 MWhs.

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