

Government Comprehensive Spending Review : The Impacts on the CRC Energy Efficiency Scheme

The high profile Government Comprehensive Spending Review (CSR) has impacted UK green policy significantly. **Certain aspects of the CRC Energy Efficiency Scheme (CRC) have been significantly redressed.** Early indications are that the outcome of the CSR has caused considerable confusion amongst both organisations whom are already registered or seeking registration to the CRC.

Sol Environment have provided this short summary fact sheet in order provide assurance to business and industry regarding the forthcoming changes and to provide guidance on the necessary measures to be taken.



Key Fact 1: Its Business as usual

Despite the changes (detailed below), the government have committed to the implementation of the CRC and see it is an important tool in the reduction of CO₂ emissions within the non-energy intensive sector.

Therefore, the scheme is still going ahead and those organisations that did not register before the 30th September 2010 deadline should do so **as soon as possible** in order to avoid related fines from the Environment Agency (up to £40,000).

Key Fact 2: Payments have been deferred

The date on which all organisations must purchase allowances for their predicted 2011/2012 emissions (originally scheduled for April 2011) will be deferred to **April 2012**. This measure has been implemented in order to extend the timeframe for budgeting for allowance purchases by a further 12 months which may be a welcome deferral of cash outflow.

Key Fact 3: The Incentive has been scrapped!

The most significant change enforced by the CSR is the **removal of the recycling payment/cashback incentive scheme**, instead all revenue generated by the purchase of allowances will be kept by the government and used to support public finances.

The removal of the 'cashback' incentive has effectively transformed the CRC into a tax on CO₂ emissions which is directly related to the energy performance of individual organisations.

"Essentially; the more energy you use, the more emissions you will produce and the more money you will pay (with no payback)."

This will have a significant financial impact on organisations as it removes the security of opting for a "do nothing" approach, whilst still receiving some form of payback as per the previous CRC format.

Key Fact 4: What does this mean?

The revised scheme will force organisations to consider the implementation of energy and carbon reduction measures.

What should you do now?

In order to ensure your organisation is ready for the new changes and does not incur significant financial liabilities under the new scheme, Sol Environment recommends all business under the CRC follow the 5 following steps;

Step 1: Obtain a baseline; Conduct a "liability assessment" in order to ascertain the financial CRC liabilities associated with your organisation based on it's current performance.

Step 2: Identify opportunities; Commission an energy audit to identify improvements in energy performance, providing estimate cost savings related to direct energy savings as well as comparing predicted performance against the liability assessment. Implement those measures that are the most cost effective.

Step 3: Earn revenue; There are significant opportunities to earn government payback from the installation of renewable heat/energy generation facilities which can in most cases more than off-set any costs incurred through purchase of allowances.

Step 4: Feasibility Study; Commission a feasibility study in order to obtain the most suitable technology and predicted payback in comparison to the purchase CRC allowances.

Step 5: Act early; Disregard the deferred payment schedule and use it as an opportunity to minimise your CRC financial liabilities before you have even purchased as CRC allowance.

How can we help?

Sol Environment have unrivalled experience in CRC and Carbon/ Energy Management, having assisted clients prepare for the CRC from it's conception. If you have any questions at all regarding the changes to the CRC, how the scheme will effect your organisation and what you need to do comply, please do not hesitate to contact us.

For further information please contact;

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