

# Carbon Reduction Commitment

An overview and legal responsibilities  
under the new regime

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## A brief introduction to the Carbon Reduction Commitment

- What is CRC?
- Governance
- Why bring it in?
- Who will it affect?
- Overview
  - How will it work?
  - When will it start?
  - What do we do about it?
- Potential penalties



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## What is the CRC?

- Government scheme
- Wide-ranging carbon regulation
- Mandatory i.e. legal!
- UK wide
- Based on emissions trading
- Will exist until at least 2023



## Governance

- CRC originally started life in DEFRA
- Following publication of the Energy Bill in 2008, a new department - "Department for Energy and Climate Change" (DECC) was formed
- DECC brings together
  - much of the Climate Change Group previously housed within the Department for Environment, Food and Rural Affairs (Defra),
  - with the Energy Group from the Department for Business, Enterprise and Regulatory Reform (BERR)
- DECC will manage the consultation on CRC and will facilitate the carbon markets and how they should be structured
- Environment Agency (EA) will be the CRC scheme administrators



## Why bring it in?

- Climate Change
- Sustainability
- Polluter Pays principle
- Reward best performers
- Penalise worst performers
- Ensure compliance within a legal framework

## Who will it affect?

- Aimed at catching large energy users not caught already by other carbon obligation schemes (e.g. EU ETS, CCA, etc.)
- Includes public and private sector organisations
- Group companies have to trade under the highest corporate entity registered in the UK
- Public Sector trade at local authority level
- Special provisions for landlords, tenants, joint ventures, franchises etc.

## How will it work?

- Qualification test
- Calculation of emissions – targets set
- Determination of CO<sub>2</sub> output
- Purchase of CRC Allowances
- Surrender of CRC Allowances
- Rewards and penalties



## When will it start?

- Third Consultation on draft order commenced March 2009 and closes 4<sup>th</sup> June 2009
- Need to check if you qualify NOW
- Work with advisors to build CRC strategy
- Qualification packs sent out in September 2009
- System comes into force April 2010



## What do we do about it?

- Be aware of your legal responsibilities under the scheme – do you qualify?
- If so, formulate and instigate your CRC strategy
- Get ready now for April 2010



## Possible offences

- Self-certification requirement as 'light touch' as possible
- Strong penalties to deter abuse and secure compliance
- Some proposed offences
  - Failing to register to participate in the scheme
  - Failure to provide initial carbon footprint data
  - Failure to provide ongoing annual data on time
  - Provision of false annual emissions data
  - Failure to pay for allowances purchased at sale / auction
  - Failure to surrender allowances corresponding to reported emissions



## **CRC in Wales**

- Same as for the rest of the UK
- Overseas companies operating in Wales will be caught by the scheme



## **Further information**

- Ioan Prydderch, Partner and Head of Construction

