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## The CRC Energy Efficiency Scheme

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### THE ESSENTIALS

- The CRC Energy Efficiency Scheme (CRC) is a mandatory cap-and-trade scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide emitted by qualifying UK businesses and public sector bodies. Unlike other emissions trading schemes, including the EU ETS, the CRC targets organisations rather than sites or installations.
- The CRC will affect both public and private sector entities. Compliance is mandatory for those businesses and public sector bodies meeting the qualification criteria (see below). To comply, participants will have to monitor their energy consumption and purchase allowances for each tonne of carbon dioxide they emit.
- All registered CRC participants will be named (and possibly shamed) in an annual performance league table. Revenues raised from selling allowances will be 'recycled' back to participants according to their league table positions.
- The first phase of the CRC runs from 2010 to 2013 and is an introductory phase. During this period, CRC allowances will be sold at a fixed price and no overall cap will be placed on the number of available allowances.
- The second and subsequent phases of the CRC will introduce a cap and trade approach. CRC allowances will be purchased at a clearing price established in an auction and the aggregate number of allowances available will be capped and will decrease over time.

### DO WE QUALIFY?

- Qualification for the CRC is based on half-hourly electricity consumption during the qualification period. For the introductory phase of the scheme this is the 2008 calendar year.
- An organisation qualifies as a participant if, during the qualification period:
  - (a) it had at least one half-hourly meter (HHM) settled on the half-hourly market; and
  - (b) its annual electricity consumption through all HHMs was at least 6,000MWh (approximately £500,000 at today's prices).
- Businesses and public sector bodies that have at least one HHM settled on the half-hourly market but whose annual energy consumption is less than 6,000MWh do not have to buy CRC allowances but do have to make an information disclosure, and may be included in the scheme in the future.
- For the purposes of the CRC, whoever holds a contract with an energy supplier will, as a general rule, be held accountable for the associated carbon emissions.

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## WHAT IS THE TIMETABLE?

<b>01 April – 30 September 2010</b>	Registration for the Introductory Phase.  The deadline for organisations wishing to disaggregate any qualifying subsidiary for stand-alone participation was 31 July 2010.
<b>April 2011</b>	First sale of allowances takes place, covering projected emissions for the year 2011/2012.
<b>July 2011</b>	Emissions for the year 2010/2011 must be reported.
<b>October 2011</b>	Recycling payments out of revenue from the first sale of allowances.
<b>April 2012</b>	Second sale of allowances takes place, covering projected emissions for the year 2012/2013.
<b>July 2012</b>	Emissions for the year 2011/2012 must be reported and corresponding allowances surrendered.
<b>October 2012</b>	Recycling payments will be made out of the revenue from the second sale of allowances.

## WHAT ARE THE PENALTIES FOR NON-COMPLIANCE?

- The CRC relies on participants' self-certification of their energy use. Participants will, however, be required to keep sufficient records to support their submissions and should they be selected for audit they will have to provide a full evidence pack to the Environment Agency.
- Non-compliance could result in one-off and daily fines being imposed, up to a maximum of £45,000. Criminal penalties could also be imposed on organisations and their directors/managers.

## HOW CAN HAMMONDS HELP?

- Hammonds has advised a diverse range of corporates, private equity firms, other businesses and public sector bodies on their compliance with the CRC.
- We can advise on how the CRC rules apply to you and what exemptions and reliefs may be available.

## CONTACT DETAILS

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