

Department for Environment, Food and Rural Affairs

Consultation on the implementation of the Carbon Reduction Commitment

Consultation Response Form

June 2007

Please use this form to answer the questions contained within the 'Consultation on the implementation proposals of the Carbon Reduction Commitment'. The closing date for the submission of consultation responses is 17:00 9 October 2007. Responses to the consultation should be clearly marked in the subject field "**Response: Consultation on the implementation proposals of the Carbon Reduction Commitment**", and should be sent by email to:

crc@defra.gsi.gov.uk

or by post to:

Brian Rapose
Carbon Reduction Commitment Team
Climate & Energy: Business and Transport Division
Department for the Environment, Food and Rural Affairs
4A Ergon House
17 Smith Square
London, SW1P 3JR

The email address should also be used for general queries relating to this consultation. Please mark the subject field "**Query: Consultation on the implementation proposals of the Carbon Reduction Commitment**".

In order to help us analyse responses to the consultation, please provide details of your organisation below (please note: Defra's confidentiality statement related to this consultation can be found in the Consultation Letter at:

<http://www.defra.gov.uk/corporate/consult/carbon-reduc/index.htm>)

Name	Kate Hatton
Organisation / Company	Energy North East
Organisation Size (no. of employees)	
Annual electricity use (MWh) / total energy bill (if known)	
Job Title	Regional Energy Co-ordinator
Department	

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Fax	

Organisation Type	Please mark/give details as appropriate	
NGO	<input type="checkbox"/>	
Public Sector (e.g. local / central government, hospitals, universities) (please give details)	<input type="checkbox"/>	
Retail Sector (e.g. supermarkets) (please give details)	<input type="checkbox"/>	
Service Sector (e.g. cinemas, hotel chains, banks) (please give details)	<input type="checkbox"/>	
Light Industry / Manufacturing	<input type="checkbox"/>	
Property Management	<input type="checkbox"/>	
Trader / Verifier	<input type="checkbox"/>	
Research Institute	<input type="checkbox"/>	
Other (please give details)	<input checked="" type="checkbox"/>	Partnership - The opinions expressed in this response are a collective view of the partnership and do not represent the views of the individual members of the partnership.

NB: on the form below, please leave the response box blank for any questions that you do not wish to answer. Any other comments can be recorded in the box at the end of this form. All boxes may be expanded as required.

Section B - Coverage: Which organisations and emissions will be covered by CRC?

1. Should the CRC apply on a UK-wide basis, or should the Devolved Administrations develop separate schemes?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	

If separate schemes, how can we guarantee a level playing field for operators and that the required carbon reductions estimated from the CRC would be realised?

The question above is ambiguous, as clarification of the response - Yes there should be a UK wide scheme and No the devolved administrations should not have separate schemes.

2. Is the 'top-down' approach of defining a CRC organisation a suitable way of identifying large, non-energy intensive organisations?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

If not, can you suggest a preferable alternative?

3. Do you have a view as to what would be the appropriate highest UK parent organisation for public sector participants?

4. Do you have a view as to whether Government should proceed with either option (A) or (B) above?

Option A	<input type="checkbox"/>	Not sure	<input type="checkbox"/>
Option B	<input type="checkbox"/>	Neither – do not allow any split	<input checked="" type="checkbox"/>

Further comments

5. Could your organisation manage these procedures to correctly identify the CRC organisation?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, which particular aspects of the organisation identification procedure would cause a problem?	

6. Could the procedures be simplified and still allow Government to identify non-compliant organisations? If so, how?

7. Do you agree that 2008 should be used as the qualification year?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, which time period would you recommend?	
Other Calendar Year	<input type="checkbox"/>
Other 12 month period (please state)	
Further Comments	
The timescale for the implementation of the CRC is tight, this consultation phase is completing in October 2007, with the qualification year commencing in 2008. Within two years of this, the 4,000 and 5,000 organisations expected to take part in the scheme need to be identified then given training and support such that they are confident in the administration of the scheme and able to justify to the schemes auditor the integrity of the figures supplied. The partnership is supportive of the proposed three year introductory phase.	

8. Do you agree that the proposed approach to establishing which CRC organisation is responsible for energy use in a tenanted property is workable?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If not, what prevents it from being workable?	

Whilst the consultation considers the accountability between a CRC organisation as a landlord responsible for the energy use in a tenanted property there are a number of other tenancy agreements and metering arrangements that would also benefit from a similar indepth analysis. For example, PFI contracts with AMR or UMS; a CRC organisation as a tenant of a non-CRC organisation landlord who is not part of the scheme by merit of falling below the entry threshold for the scheme.

The accountable organisation for the full range of tenancy and metering options will need to be identified in order for the three year introductory phase to complete in a successful manner. The Energy North East partnership would like to see the outcomes of an analysis of full range of tenancy arrangements and for there to be a further consultation on the proposals for these to be incorporated into the CRC scheme.

Can you suggest an alternative approach that is preferable and retains the emissions coverage of the current proposal?

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9. Which option should Government take forward to ensure wide emissions coverage of CRC?

Option 1	<input checked="" type="checkbox"/>
Option 2	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

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10. Do you agree that organisations should be able to include all their sites in the scheme?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

If so do you agree that they should not be able to remove them at a later date?

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Yes, it is important that the scheme is consistently applied both within a CRC organisation and across organisations so that comparisons over a number of years are possible with the ability to identify trends.

11. Do you agree with the Government's proposal to implement a site level fuels *de minimis*?

Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	

Should this be set at 5% of site energy use emissions, 3% or some other percentage?

3%	<input type="checkbox"/>	5%	<input type="checkbox"/>	
Less than 3%	<input type="checkbox"/>	Higher than 5%	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>			

If <3% or >5% please state a level and explain why

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Do you think that this percentage should be based on site energy use emissions (as proposed) or total site energy spend?

Energy use emissions	<input type="checkbox"/>	
Energy expenditure	<input type="checkbox"/>	

Further comments

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12. Do you agree that CCA organisations with more than 25% of their energy use emissions in CCAs should be excluded as described in the diagram above?

Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	

Further comments

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13. Do you agree that unmetered supplies (UMS) should be included in the CRC, subject to a suitable <i>de minimis</i> ?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

14. Do you agree that pseudo half hourly metering should be incentivised by the CRC?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If yes, do you think:		
a) That pseudo half hourly metering should be treated in the same way as AMR for the purposes of the performance league table?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		
b) That the standard UMS billing methodology should be treated as an 'estimate' for the purposes of the adjustment factor and that pseudo half hourly metering should not be?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

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15. In terms of non-rail energy, would you highlight any key issues specific to the rail sector that Government should bear in mind in developing the CRC policy design?

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16. Given the UK commitment to consider the inclusion of surface transport within the EU ETS, do you agree that rail energy should currently be excluded from the CRC?

Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	

If excluded, what other policy approaches (including voluntary action) would be most suitable to deliver energy efficiency benefits and emissions reductions from train energy use?

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17. Do you think there are significant cost-effective opportunities for energy efficiency within schools?

Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	

Further comments

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Whilst many local authorities are already addressing the energy efficiency of schools the pace of take-up of energy efficiency measures varies between local authorities. It is imperative that the scheme is developed such that it adequately recognises and rewards CRC organisations that have already invested to improve the energy efficiency of their estate. Rather than reward organisations that are just embarking on the process and able to demonstrate quick, easy and cheap wins it is essential that CRC organisations with a longer term strategy that includes the later, more difficult and costly phases of improving energy efficiency are not disincentivised by the implementation of the scheme.

18. Do you agree with the Government's decision not to mandate the inclusion of all school energy use within local authority portfolios for CRC?

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

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19. Do you agree with the proposed approach – of including school energy use within CRC local authority portfolios where such authorities pay the energy bill?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

For the purposes of comparison and trend analysis it is imperative that there are consistent accounting methodologies within each sector and as such all local authorities with educational responsibility should included all schools, irrespective of whether they or the school pays the energy bill.

20. Do you agree with the overall principle of not having to report changes of operation during each phase of the CRC?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

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21. Are each of the proposed exceptions to the overall approach reasonable?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

SECTION C – CRC Phases and Cap Setting

22. Do you agree with the proposed overall approach on cap setting?	
Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

SECTION D – Scheme Market Design

23. Which price option do you think would be most appropriate for the introductory phase fixed price sale?			
Option A	<input type="checkbox"/>	Option C	<input type="checkbox"/>
Option B	<input type="checkbox"/>	Other (please specify)	
None	<input type="checkbox"/>		
Further comments			

The proposed trading scheme will require a new skill set for energy managers within the CRC organisation, indeed the later elements of this scheme will compound this further requiring that energy managers also become specialists in redeeming the recycling payments against energy efficiency measures. Whilst the consultation proposes a three year introductory phase for the scheme it does not recognise the need for a package of support and training tailored to the organisations energy manager undertaking this trading requirement. Given that between 4,000 and 5,000 organisations will be implementing the scheme in the same timeframe there is the potential for a skills shortage which could impact adversely upon the successful implementation of the scheme.

24. Do you think CRC organisations would undertake significantly greater carbon abatement under the Option with the highest carbon price?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

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25. Which auction mechanism would you prefer – the sealed bid auction or the dynamic ascending clock auction?

Option A - sealed bid auction	<input type="checkbox"/>
Option B - dynamic ascending clock auction	<input type="checkbox"/>

Further comments

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26. Do you agree with the auction should take place each January, at the beginning of the emissions year?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

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27. Which payment option do you prefer?	
Payment at time of auction	<input type="checkbox"/>
Payment deferred by 12 months	<input type="checkbox"/>
Further comments	
<p>Payments at the time of auction would mean that working capital for each CRC organisation is tied up over three tax years. In the January of the first year of the scheme i.e. tax year one an organisation must buy its first year allowances with a purchase of a similar volume in the January of the second year of operation i.e. tax year two. It is half way through the second year but during the third tax year that reconciliation occurs and recycled payments are made. Since two sets of allowance have been purchased before any money is recycled the money invested by the organisation could be significant.</p> <p>Whilst a deferred payment has some merit it is still not ideal since each year of the CRC scheme will still operated over two tax years with working capital tied-up for an 18 month period and financial reconciliation still required.</p> <p>Many of the management information systems for public sector bodies are aligned with the tax year and for these organisations a similar alignment would be beneficial.</p>	

28. Do you agree that Government should limit the auction to only scheme participants and their agents?	
Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
Further comments	

29. Do you think there should be a limit placed on the percentage of allowances available to any one participant to buy in the auction?

Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

30. Does the proposed mechanism for operating the safety valve seem reasonable?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not what changes would you suggest?		

31. Do you think that a bonus or penalty of +/- 10% as described above is appropriate?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, do you think the bonus or penalty should be higher or lower (please state a percentage)?		

32. Should the rate of bonus or penalty increase steadily and gradually over time?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If yes, please state by how much and how regularly you think these increments should be applied (e.g. 5% increments per year: +/-10% for year 1, +/-15% for year 2, +/-20% for year 3 and so on)?		

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33. Should the league table include a metric to recognise those organisations who have been undertaking good energy management practices for some time?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>

If so, Do you agree with the proposed AMR metric as a proxy for early action?

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>

If not, please state a better alternative metric that meets the stated league table design criteria.

AMR should not be the sole metric. There needs to be a qualitative assessment of whether efficient energy use is embedded into the organisations culture. This would be demonstrated by identifying energy usage as a corporate priority that is supported by organisational policies and procedures.

Other possible indicators are the length of time that energy efficiency measures have been installed over, the average annual spend on energy efficiency as a percentage of turnover/revenue, as well as trend analysis of these metrics indicating an upward trend.

Further comments

The league table will rank between 4000 and 5000 organisations, across all sectors. It would be more meaningful and useful for participants in the scheme to be ranked in relation to other organisations in their sector and hence the scheme should produce a series of league tables by sector rather than one solitary all inclusive table.

It is crucial for the credibility of the scheme that the organisations that have been addressing energy efficiency for a number of years are adequately recognised and rewarded. Organisations that are just embarking on installing energy efficient measures will be able to make a few quick wins and show a more dramatic improvement, this must not be at the expense of organisations who have taken early action in good energy management practices and are at a more mature stage in the life cycle, demonstrating not only more modest and substantive gains but also a more robust and sustainable approach.

34. Would the benefits of the league table including a few simple yes / no disclosure based questions outweigh the additional complexity involved?

Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If so, are the questions outlined above appropriate?		
Yes	<input type="checkbox"/>	
No	<input checked="" type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Response to question 33 on appropriate metrics proposes other appropriate considerations.		
And, should they be incorporated for revenue recycling calculations?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
As long as the CRC organisation continues to demonstrate these good energy management practices.		

35. Do you think that the CRC league table should include a relative metric to take account of organisational growth / decline?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If yes, do you agree with the proposed growth metric described above?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, please state a better alternative that meets the stated league table design criteria.		
Further comments		

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36. Do you agree that if turnover / revenue expenditure is used to formulate the growth metric, that organisations should report the published figure for the financial year that most closely corresponds with the 'emissions year'?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

37. If early action and growth metrics are included in the league table, do you agree with the proposed weighting of 60%: 20% : 20% (absolute: early action: growth)?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, please suggest an alternative weighting that you prefer?		

38. Do you agree that the Government should be able to adjust key parameters within phases if absolutely necessary as an option of last resort?		
Yes	<input checked="" type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If yes, what limits should be placed on the use of this power (e.g. requirement to engage in public consultation as to whether circumstances are sufficient to justify use of the power, and with Parliamentary approval)?		

There should be adequate and robust public consultation.

39. Should a percentage of CRC auction revenues be top-sliced and either given to Carbon Trust / Salix or handed out to participants as credits/ tokens?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>
Not sure	<input type="checkbox"/>
If so, do you prefer Option A, paying 10% of auction revenue directly to Carbon Trust / Salix, or Option B paying 10% of each participant's revenue recycling payment as 'credits'?	
Option A	<input type="checkbox"/>
Option B	<input checked="" type="checkbox"/>
Not sure	<input type="checkbox"/>

Further comments

The scheme is expected to have between 4000 and 5000 participants all of whom will potentially be seeking expertise from the Carbon Trust/Salix. It is important that not only is the Carbon Trust/Salix adequately resourced to manage such an uplift in CRC organisations requesting support, but that the support available matches and is responsive to the needs of the diverse base of CRC organisations in the scheme. The Energy North East partnership would like to see the outcomes from this section of the consultation ie payment recycling, analysed with a further consultation on proposals before the CRC scheme is finalised.

What percentage of CRC auction revenue should be top-sliced and either given to Carbon Trust / Salix or handed out to participants as credits/ tokens?

5%	<input type="checkbox"/>
10%	<input type="checkbox"/>
Greater than 10%	<input type="checkbox"/>

Further comments

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SECTION E - Monitoring, Reporting and Audit

40. Do you agree with the Government's proposal on what would be required within an 'evidence pack'?

Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, why not?		

41. Do you agree with this approach to reporting emissions from CHP?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
If not, why not?		

42. What in your experience is the extent of estimated billing for energy use on which CRC returns would be based?		

43. Do you think that there should be an adjustment factor for any estimates of energy use from individual sources in an CRC organisation to encourage operators to read their own meters or press for accurate bills from their suppliers?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

If so, is 10% the right figure to apply?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

44. Are there any other suggestions for reducing reliance on estimated bills?

45. Does your organisation have previous experience of using other similar online registries?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
If yes, which registry / registries does your organisation have experience of and what features worked well / badly (please specify)?		

46. Do you have any further comments or suggestions in relation to the features and functions the CRC registry should have?

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47. Do you agree that organisations that fail to provide the necessary evidence for exemption on CCA grounds within the required timescales should not be exempted from the scheme?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

48. Do you agree that a more moderate fine can be applied to over-reporting of emissions than under-reporting?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

49. Do you agree with the overall approach towards penalties – of proportionality between the offence and the penalty?		
Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	
Further comments		

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50. Do you agree with the proposed approach on penalties in respect of the offences listed?

Yes	<input type="checkbox"/>	
No	<input type="checkbox"/>	
Not sure	<input type="checkbox"/>	

If not, please state areas where you have substantial concerns.

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