

Talk about saving energy

- A TUC briefing on the new CRC Energy Efficiency Scheme



Spring 2010

It's time for unions to start talking energy savings with management.

Why? Because from 1 April 2010, all large employers in the public and private sector, from banks and hotels to schools, councils and hospitals, must take part in the new CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment). This UK-wide, legally binding scheme aims to save at least 4 million tonnes of CO₂ emissions per year by 2020, as part of the UK's response to the challenge of climate change.

And, with many employers facing tight budgets in the coming few years, unions will want to see how the scheme can help ensure energy savings ease the pressure on other costs.

The first step, therefore, is to put energy savings on the agenda for the next meeting with management. This TUC briefing explains how the scheme works, and what to do in the first year. The CRC Energy Efficiency Scheme is referred to as CRC from here on.

What is the CRC?

The CRC is expected to cover 5,000 large public and private sector organisations. They are required by law to report their energy use each year to the Environment Agency (the scheme administrator), buy enough allowances to cover their annual emissions, and take action to reduce their energy use this year and in years to come.

The long game is to cut bills for electricity, gas and oil, and save at least 4 million tonnes of CO₂ a year by their collective efforts by 2020.

Who is covered by the CRC?

Large energy users in the public and private sector:

- hospitals and local councils, colleges and universities, government departments and agencies, and more
- hotel and restaurant chains, retailers, banks, insurance companies, large warehouses and other major service employers.

The CRC covers all employers using at least 6,000 Megawatt hours (MWh) of electricity a year. A Megawatt hour is 1,000 Kilowatt hours. At current prices, this is about an annual energy bill of £500,000 or more. The qualification year for the first phase is 2008.

How much CO₂ is saved?

On average, power stations from which we buy our electricity emit over half a tonne (0.537) of CO₂ for every MWh of electricity they produce. (Gas production creates 0.18 tonne of CO₂ per MWh).

So employers using 6,000 MWh of electricity a year, which is the threshold for coverage by the CRC, are responsible for at least 3,000 tonnes of CO₂ emissions a year.

Which buildings and facilities are covered?

"Organisation" means all of an organisation's buildings, offices, sites, workshops, depots.

Emissions for which participants do not have to purchase allowances include:

- domestic accommodation
- transport emissions
- emissions from activities covered by a Climate Change Agreement or the EU Emissions Trading System.

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How the scheme works

The CRC started on 1 April 2010. The first phase runs for three years. Subsequent phases will run for seven years. The first two years of these phases are preparatory and overlap with the previous phase. A detailed timetable is set out in the *CRC Energy Efficiency Scheme User Guide*, page 85.

Year 1: April 2010

The key task for unions in the first year is ensuring that the CRC is on the agenda with management.

In the first year, employers must get together information on all types of energy use - electricity, gas, oil, etc. Unions should therefore ask to share and discuss all the information that management is using to calculate their energy use over their whole "estate".

The first task facing every CRC participant is calculating their energy use over the first 'footprint year' from April 2010-2011. This is the 'footprint report' identifying their total emissions. The first footprint report must be submitted to the Environment Agency at the latest by the end of July 2011.

If a participating organisation fails to produce a footprint report by the deadline it will be fined £5,000.

How 'footprint emissions' are worked out

Footprint emissions are calculated by adding up all energy supplied from electricity, gas, coal, liquefied petroleum gas (LPG), diesel, etc., using energy bills, meter readings or fuel delivery invoices. Unions should ask for an early meeting on how management intends to collect this information, and indeed, offer advice and suggestions on where and how energy is being used.

Note that energy use does NOT include street lighting, transport and heat and light for domestic accommodation.

Information must be put together in an "evidence pack" that includes information on:

- the organisation: how many sites it has and the types of energy used
- energy consumption: energy bills, meter readings
- 'special event records' - e.g. change of energy supplier
- proof of any exemptions and energy credits: organisations that generate their own electricity can claim electricity credits which can be subtracted from its annually reported CRC emissions - these credits must be in the footprint report.
- estimated total CO₂ emissions by the organisation
- details of claims to be an 'early action metric' (EAM), etc.

See *The CRC Energy Efficiency Scheme User Guide*, section 3.6, on the information that must be included in an evidence pack.

Annual report of emissions

Employers include actual emissions in their annual report, at the latest by 29 July 2011. But, to give employers time to set up the CRC system, there is no requirement to buy emissions allowances in the first year ending April 2011.

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Your three-year CRC action checklist

Year 1: 1 April 2010	Tick box	Year 2: 1 April 2011	Year 3: 1 April 2012
UNIONS		UNIONS	UNIONS
Put energy use and the CRC on the joint union-management agenda		Energy costs and initiatives to save energy regularly discussed and monitored at joint union-management meetings	Energy costs and initiatives to save energy discussed and monitored at joint union-management meetings
KEY MANAGEMENT RESPONSIBILITIES		KEY MANAGEMENT RESPONSIBILITIES	KEY MANAGEMENT RESPONSIBILITIES
Actively engage TU and employees on CRC, energy use and energy savings.		Energy use and savings regularly discussed and monitored at joint union-management meetings	Energy use and savings regularly discussed and monitored at joint union-management meetings.
Undertake an organisation-wide energy audit: prepare first "energy footprint" report		Organisation purchases CO2 allowances based on Year 1 energy use and CO2 emissions. This purchase of allowances will cover projected emissions in 2011-2012.	Organisation purchases CO2 allowances based on Year 2 energy use and CO2 emissions
Submit 1 st footprint report , including estimated CO2 emissions, to Environment Agency: deadline July 2011		2 nd annual report on energy use submitted to Environment Agency: deadline July 2012.	3 rd annual report on energy use submitted to Environment Agency: deadline July 2013
Report Early Actions to save energy to Environment Agency		By same deadline, employers must surrender corresponding number of allowances for that annual reporting year.	
BUYING CO2 ALLOWANCE		BUYING CO2 ALLOWANCE	BUYING CO2 ALLOWANCES
No purchase of emissions allowances takes place in Year 1		April 2011: 1st fixed-price sale of emissions allowances (£12 per tonne)	April 2012: 2 nd fixed-price sale of emissions allowances (£12 per tonne)
ENVIRONMENT AGENCY AS CRC REGULATOR		ENVIRONMENT AGENCY AS CRC REGULATOR	ENVIRONMENT AGENCY AS CRC REGULATOR
EA online register opens: EA monitors and advises on employers' data entries		EA publishes 1 st Performance League Table; energy allowance rebates announced.	EA publishes 2 nd Performance League Table; emission allowance recycling payments announced.

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Year 2: how the CRC scheme works

In Year 2, organisations must decide how many “emissions allowances” they need to buy.

- Organisations must buy one emission allowance for each one tonne of CO₂ they expect to emit during the year, based on the report they submitted in Year 1.
- Emission allowances are sold by the Government at a fixed price sale, set at £12 per tonne of CO₂ starting April 2011.
- Organisations should buy as many as they think they will need to cover their CRC emissions in the year ahead. They must then “surrender” the emissions allowances with their annual report at the end of the compliance year (i.e. they can’t be sold for profit).
- If an organisation makes efficiency savings and reduces the amount of energy it uses in the coming year, it will need to surrender, and then in future buy fewer allowances, so cutting the costs of taking part in the scheme but also cutting its energy bills too.
- All the CRC revenue raised through the sale of allowances is ‘recycled’ to participants. A proportion of this is recycled to organisations according to their comparative performance in the league table and then adjusted by a penalty or bonus.

If, during year two, an employer has to buy additional allowances because it exceeds its emissions targets, it can do this in two ways:

- either through the secondary market (other CRC participants and traders) or
- by the so-called ‘safety valve’, asking Government for any extra allowances released throughout the year.

Government will sell the allowances annually, during April each year. Only CRC participants are allowed to buy allowances during this period and it is up to each organisation to decide how many allowances it wishes to purchase.

How much will CO₂ allowances cost?

There is no sale of allowances in the first year. The first sale takes place in April 2011 when participating organisations will have to buy allowances for the year ahead.

Allowances cost £12 a tonne fixed price during the first three years of the CRC. There is no limit to the total number of allowances that can be bought. But the Government will auction allowances from 2013.

Consulting unions and employees

From day 1, employers are encouraged to consult with recognised trade unions and provide training and advice on energy savings.

Organisations are asked to tick the following boxes, when submitting their annual report: Does your organisation:

- disclose long-term carbon emission reduction targets, which cover the majority of your CRC emissions, in its annual reporting?
- disclose performance against these emissions targets in its annual reporting?
- name a director with management responsibility for overseeing carbon performance in its annual reporting?
- actively engage with its employees to establish means of reducing energy usage?

For trade unions, the key tick-box is about talking to employees. Organisations can tick that box if they do at least one of the following:

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- Energy management training is offered to the majority of employees.
- The organisation has active employee working groups on energy management, which report to senior management and take forward initiatives to reduce carbon emissions.
- Where an independent trade union is recognised for collective bargaining purposes, energy management issues are considered in these joint discussions, and members actively take forward initiatives to reduce carbon emissions.

The tick-box on employee engagement was included following discussions between the Government, the TUC and trade unions. It provides a clear opportunity for unions to play an active part in the scheme.

The information will be made public and organisations who tick one or more of these boxes are required to keep records to support their responses.

More on how the CRC will work

Performance league table

At the end of each year, information will be gathered from the annual reports of all CRC participants and used to compare performance of how successful organisations have been in reducing emissions. The performance will be published as a league table which is based on three metrics - growth in energy use; absolute energy use; and early actions taken to reduce emissions. In the first year the league table is based on the early action metric only. An organisation can improve its chances of doing well in the league table in the first year if it:

- installs automatic meter readers to measure its supplies and
- attains the Carbon Trust Standard (or

recognised equivalent accreditation), which recognises organisations that are "measuring, managing and reducing carbon use".

The league table is used as one of the factors to determine each organisation's 'recycling payment'. This is revenue recycled back to participants from the sale of allowances each year - **with a bonus for the best performers**. The recycling payment is based on an organisation's proportion of total CRC emissions in the first year of the scheme, adjusted by a bonus or penalty payment based on the organisation's position in the league table.

Auditing and penalties

The CRC energy efficiency scheme is based on self-certification of emissions but there is an audit procedure to verify the accuracy of participants' records and returns.

Each year, one in five organisations will be audited. Site visits will be made where necessary.

If an organisation has reported information to the administrator incorrectly, they will have to pay a penalty of £40 for each tonne of CO₂ incorrectly reported.

Talking point: how effective will the scheme be?

The scheme aims to save well over a 4 million tonnes of CO₂ per year by 2020. As organisations grow, they are expected to "get more from less" rather than expand both their activities and energy use.

But some commentators - and the TUC - say that buying and selling the right to emit CO₂ is the wrong way to go about cutting our emissions.

They argue for regulations limiting CO₂, and a tax payable on every tonne of CO₂ emitted.

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For example, in response to the Great Smog of 1952, the British Parliament introduced the Clean Air Act 1956. This act legislated for zones where smokeless fuels had to be burnt and relocated power stations to rural areas. Green tax revenues should be paid back to the community in subsidies for renewable energy.

But, the CRC is here and we have an opportunity to influence it - and how the savings are put to good use. In April 2010, the Government also announced further plans to cut emissions from its own departments by a third by 2020. Clearly, the CRC will therefore play an important part in meeting these targets.

Under the new targets, the Government will reduce its greenhouse gas emissions by 34 per cent by 2020 (from 1999 levels). Eighteen government departments produced a Carbon Reduction Delivery Plan (CRDP): each plan sets out, in detail, the actions each department will take. The plans for government departments reinforce the opportunity for unions to push for GreenWorkplace projects.

The new government targets build on the plans for Sustainable Operations on the Government Estate (SOG E). SOGE is mandatory and applies to all central government departments and their executive agencies.

For more information on Government departmental targets:

www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/carbon_budgets/departments/departments.aspx

More information

Essential reading

- *The CRC Energy Efficiency Scheme User Guide* provides a detailed step-by-step guide to all aspects of the scheme, available at:
http://decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/crc.aspx
- The Environment Agency helpdesk - CRCHELP@environment-agency.gov.uk
- The Carbon Trust has produced a useful publication *Managing the CRC as a Business Opportunity*, which can be downloaded from the Carbon Trust website.
- For union guides to the CRC, e.g. PCS resources, go to:
www.pcs.org.uk/en/resources/green_workplaces/greening-the-government-estate/CRC.cfm

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